

Internationalisation of the Finnish New Media Industry – Experiences and Challenges



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Internationalisation of the Finnish New Media Industry – Experiences and Challenges

Objectives

Main objective of the research is to analyse the internationalisation patterns on professional business services. The special study focus is in the new media industry. Three objectives were set to the research:

- To identify the Finnish new media industry and its potential for internationalisation
- To analyse the new media industry's internationalisation patterns in both company and industry levels
- To analyse the new media industry's business network, its structure and its dynamics

In practice this meant answering to the following research questions:

- C. What are the characteristics of new media industry as a professional business service?
- D. What resources are new media companies utilising and lacking of in internationalisation?
- E. What are the modes in use and to be used in internationalisation of the industry?
- F. How can additional resources be obtained by utilising business networks?

Theoretical Approach and Research Methodology

The theoretical approach of the research was to utilise the theories presented on service business, professional business services, stages model of internationalisation, resource-based analysis and network based operations. These lead to forming four hypothesis and a theoretical model for industry level network analysis.

The research findings were based on multiple methods: a literature review, an industry survey of 73 Finnish new media companies, 12 general half-structured interviews and two in-depth case analyses. The fieldwork of the research was carried out between Autumn 1998- Autumn 1999. The findings tested the hypothesis and the model and they were revised on the basis of the field study.

Main findings

On the basis of the research seven conclusions of the situation of the Finnish new media industry could be drawn. These are in their logical order:

- New media business (interactive media service provision) is at its basics a professional business service and has similar challenges in its international expansion to other service companies.
- New media business is by its birth very global and the companies operating in the industry carry heavy service and know-how export potential.
- The Finnish new media industry is already in some markets in “late starter” situation. On the other hand the companies are able to arise to be “international among others” by own actions and by technological advancement.
- The success of the industry is heavily dependant the companies' capability to meet the requirements of the customers and leverage its existing customer relationships.
- Product innovation in the industry requires flexible coalitions crossing traditional industry barriers. The number of these will grow with technological advancements.
- The main resource shortage for the Finnish new media companies' internationalisation is the lack of skilled personnel.
- Financial capital is available in the markets. Yet, the Finnish companies are not experienced to work with external financiers and high growth requirements

In addition, there were four hypothesis phrased and tested as well as a model analysing the new media industry's business network. These are presented in the research conclusions.

Keywords

Internationalisation, new media industry, Internet, resource-based, business network, professional business service, born global

Forewords

This report is a combination of several fascinating business theories about service business, competitive advantage, business networks and internationalisation. It presents the most recent findings from the market studies of the internet-based new media industry. Additionally, the report will form new tools to be used in the further analyses of the industry.

Internationalisation has become nearly compulsory to Finnish companies in their search for growth opportunities. The new media industry is no exception in this. The recent global market success stories of Finnish high-tech companies, such as Nokia and Sonera, have opened up a window of opportunity for Finnish SMEs. This thesis aims to assist them in analysing their opportunities and forming strategies for the international entries.

The report continues the research series of the Finnish new media industry. The work was started in 1997 by the first market study of the Finnish New media markets. There are at the moment a total of seven publications to discuss the problemacy of the industry. Originally this report was a Master's thesis for the Helsinki School of Economics and Business Administration. With the help of the Interactive Media Knowledge Center of Uusimaa, publishing this as publicly available report has been possible. I hope that the research findings will contribute to the academic and business discussion and bring some managerial ideas to the industry.

I would like to take the opportunity to thank all the people who have assisted me during this time. Especially I like to send my love to Viivi who has with strong belief and patience helped and supported me during the process. Special thanks also to Laura. In addition, I would like to thank the open attitude of the analysed companies. Without their willingness to assist me and to share their experiences, this research would have been very difficult to carry out.

In Helsinki, May 17, 2001

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1 Introduction

1.1 Background of the study

Communications technologies have revolutionised the business environment during the last few decades. Via modern communications networks, it is possible to access sources, that were earlier unreachable, independent of geographical locations. The last phase in the communications development began with the formation of graphical browsing capabilities in the early 1990s to the academic non-commercial network existing since 1960s - the Internet. This created an exponentially growing interest for utilising Internet technology in business. The Internet has grown to be one of the most influential networks with nearly half billion users around the globe – and keeps on expanding.

Finland has been one the leading countries in using network based services, at least when measured in the terms of number of Internet hosts or number of persons connected to the network. Finland is also one of world leaders in the development of mobile communication networks and terminals. Yet, there is still only a small number of Finnish success stories in the new business environment.

The new competitive environment enables even very small companies to serve global customers and consumers. The new services need their creators and experts. In Finland the industry for interactive services and applications had its early years in the early 1990s with the first multimedia companies. The most recent growth phase started in the mid 1990s and in 1999 there were around 300 companies which create a turnover of estimated FIM 900 million¹. These companies form a very turbulent industry that has been called in several studies “the new media industry”.

This research discusses the development of the Finnish “new media” industry in the light of recent internationalisation theories. The main objective is to understand the internationalisation patterns in the industry. The Finnish new media companies have reached in their growth the stage where the domestic markets do not offer sufficiently business opportunities. They are seeking for international markets and creating partnerships around the world.

Special emphasis in this study is put into the analysis of the business network of the companies. In addition, the industry is analysed through the theories created of professional service business. The originally technology- or design -originated companies have started to work more and more professionally and the industry has picked up characteristics from advertising agencies, consulting and software companies as well as from technical service companies.

Tommi Pelkonen carried out the research at the Helsinki School of Economics and Business Administration. He has worked as project manager in the Interactive Media Research Group, one of the business school’s research units. This report is a derivative from his Master’s Thesis available at full length from the HSEBA library.

1.2 Definition of New Media Industry

New media activities are difficult to limit to a covering definition of an industry. The industry is developing at a very rapid pace and thus most of the terminology and activities used, becomes old and inadequate in only few years time. The most commonly used is the concept developed by the Interactive Media Group at the Helsinki School of

¹ Kuokkanen & al., 1999

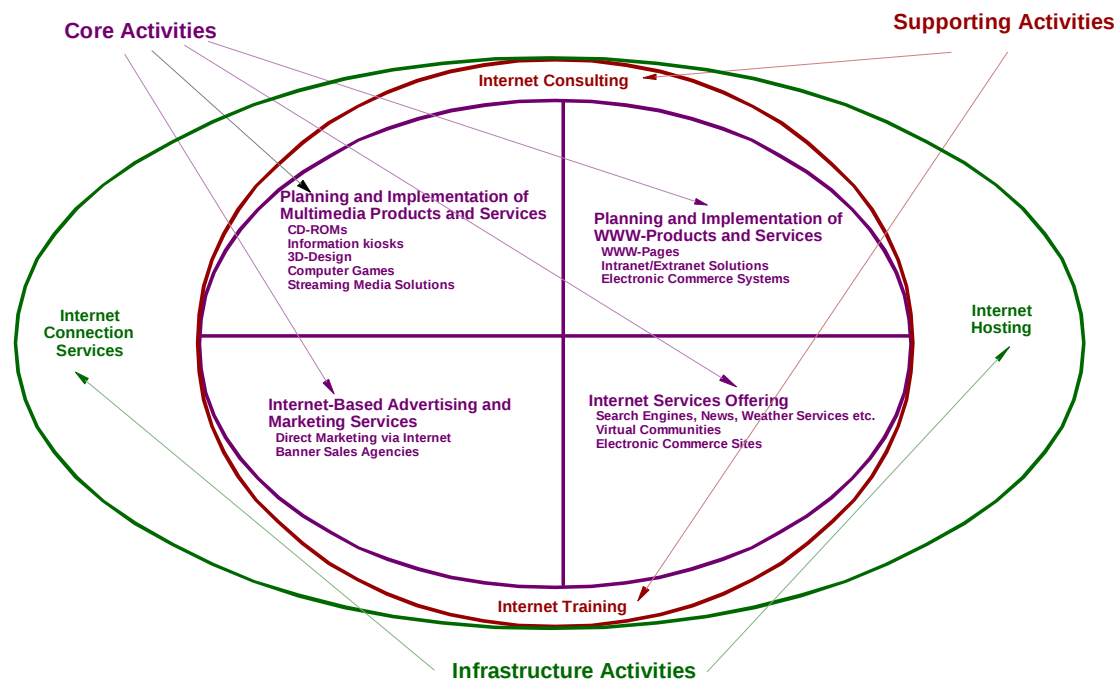
Economics and Business Administration². This definition is further developed to the purpose of this study. In the definition, there are four core activities form the new media industry:

- Planning and implementation for multimedia products and services
- Planning and implementation of WWW products and services
- Internet-based advertising and marketing services
- Internet services offering

In addition, the industry includes two supporting activities: Internet consulting and training, as well as two infrastructure-related activities: Internet hosting and Internet Connection Services. The definition and more detailed activity lists are presented in Figure 1. Most of the companies in the industry operate at least in one core activity and is one of the supporting or infrastructure activities.

The term “new media” can be clearly criticised. There will certainly always be a “newer” media. Yet, for comparative reasons this definition will be used in the research”. Other options would be using “multimedia”, “interactive media” or “digital media”.

Figure 1: Activities in the New Media Industry



Source: modified from Kuokkanen & al. “Uusmediatoimiala Suomessa 1999”, G-Print, Helsinki, 1999, p.12

New media service companies have also been defined³ according to their production process. There are several dimensions in this kind of definitions, e.g.:

- activity objectives* (what is to be produced?),
- activity object* (what material is produced, transformed or modified?),
- activity equipment* (what equipment is used in the process?) and
- actors* (who or whom carries the production out?)

² Kuokkanen & al., 1999

³ Pelkonen, 1999, p. 37

The main objective for a company operating in the new media industry is to *create substantial benefit for its clients with the help of new technologies*, e.g. internet technologies. The work objects are *digitally formatted text, picture, voice, video and database materials*. These are modified in a way that they can be used and consumed with various information technology equipment, e.g. personal computers or mobile phones either locally or through data networks.

The new media companies use in their production process *computers, data networks and equipment, software and programming languages* closely related to them. The new media production process is carried out *by professional experts*. They create in close relationship with the customer information system or product to be consumed and utilised by the client. In addition, the new media companies offer training and consulting services related to their field of expertise.

1.3 Objectives for the Study

Main objective of the research is to analyse the internationalisation patterns on professional business services. The special study focus is in the new media industry. Three objectives were set to the research:

- To identify the Finnish new media industry and its potential for internationalisation
- To analyse the new media industry's internationalisation patterns in both company and industry levels
- To analyse the new media industry's business network, its structure and its dynamics

In practice this meant answering to the following research questions:

1. What are the characteristics of new media industry as a professional business service?
2. What resources are new media companies utilising and lacking of in internationalisation?
3. What are the modes in use and to be used in internationalisation of the industry?
4. How can additional resources be obtained by utilising business networks?

The research was divided into four stages and based on multiple methods. First, a *literature review* was carried out and was based on both academic and business journals. Second, a *industry survey* was done in Autumn 1998. Third, industry insight is brought to discussion via *twelve semi-structured interviews* carried out also during autumn 1998. Fourth, *two in-depth case studies* were carried out during Spring-Summer 1999. The research methodology is explained in more detail in Appendix X

1.4 Limitations

The research topic was limited as follows:

- The *economic impacts for the Finnish Economy* were not be discussed, only the size of industry and employment effect will be presented. This due to challenges of limiting the effect of the phenomena.
- The *business network analysis* was not carried out in detailed level. Detailed descriptions and relationship bond analyses cannot be included into a industry level analysis..
- The research was both explorative and illustrative. It will describe the situation for internationalisation in the new media industry and also present a model for understanding the new media business network. *The model will not be based on detailed quantitative data, but rather on qualitative conceptualisation.*

- As the research sample was collected within a substantially long period of time, *the exact figures presented in the graphs and estimates are subject to change*. The development in the industry has continued rapidly and this should be understood when analysing the research findings.

1.5 Reliability and Validity of Findings

Methods of Ensuring Quality in This Research

In the research design, selection of multiple method was used to increase both the validity and reliability of the findings. Each of the quality issues will be discussed here below:

- *Internal validity*: the data used in the research was very accurate. The databases that were collected for the purpose of the field survey are the most detailed source of information about the phenomena in Finland. They also have a time-series of two successive surveys and enabled thus comparison of the research findings to the earlier work. The interviews and case studies covered most of the leading Finnish new media companies and thus this material was also very current and precise. The researcher had analysed the industry for nearly two years and had a very thorough understanding of the phenomena already before the project. Therefore, the research can be seen as internally valid.
- *External validity*: the generalisations made on the basis of the data offer a holistic approach to the new media industry. The internationalisation pattern was not analysed in detail and this limits the possibility to make absolute generalisations. Yet, there was found a common agreement on the most of the presented findings. There is not any more accurate data available and the the research design increased also the external validity of the analysis. Thus, *the research can be seen externally valid with some reservations*. Yet, some more detailed analysis should be carried out about the network structure and dynamics.
- *Reliability*: the data collection and analysis was carried out with very careful and thorough methods. The interviews were recorded, written and notes were taken by both of the interviewers. The survey data was analysed by multiple persons and analyses were discussed within the group. The case analyses were also documented and the researcher was able to use also internal classified material of the company. All the unclear matters were confirmed from the research objects. The findings from multiple data sources were very similar which further increased the reliability of findings. In addition, the companies did not have any contractual arrangements with the researcher and this further increased accuracy. *The research can thus be found as reliable for making the conclusions*.

1.6 Structure of the report

This report consists of four chapters and several appendices. The report has been written with easy reading style so that in the beginning of each chapter there are few sentences in explaining the contents and logic of the chapter. The chapters two and three present the research findings and these are concluded in chapter four. The appendices present the theoretical background for the research. In addition to this main report, there exists a twelve page executive summary published in the TEKES-publications series.

2 The Finnish New Media Industry in a Nutshell

This chapter will present the Finnish new media industry and its key issues. The chapter is based mainly on the findings from the industry survey.

2.1 Positioning New Media in the Information Technology Cluster

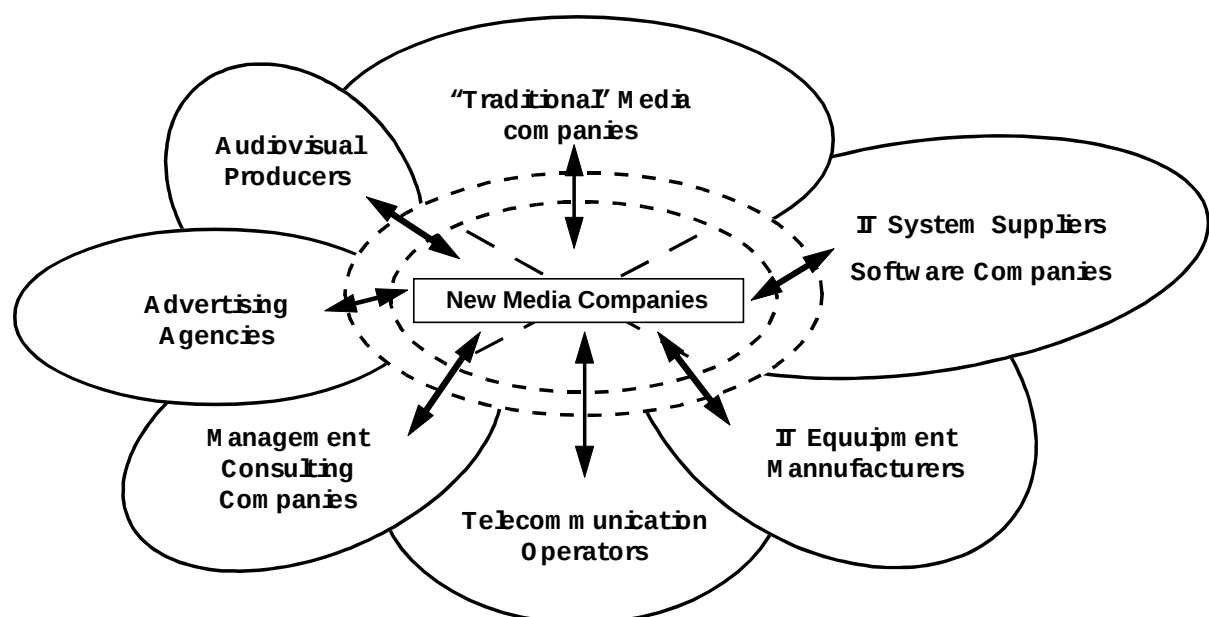
Seven related industries with blurry barriers

To understand the strategic position that new media solutions are at the moment for any Information technology (IT) related industry, new media industry has to be positioned. In addition to “pure” new media companies, the activities can be found at least in the following industries:

- Traditional media houses
- IT software and system manufacturers
- IT hardware producers
- Telecommunication operators
- Management consulting
- Advertising agencies
- Audio-visual production companies

Boundaries between different industries are getting more and more blurry. Figure 2 presents the strategic position of new media industry. It is important to notice boundary crossing is happening in two directions: the new media companies are searching their role in among the traditional companies, while the traditional players are starting to offer new media services. This situation is very dynamic and involves interesting alliances between different parties.

Figure 2: New Media Industry and Related Industries



Source: modified from Kuokkanen & al. 1999, p. 16

2.2 Turbulent Technological Environment

IT sector is constantly changing

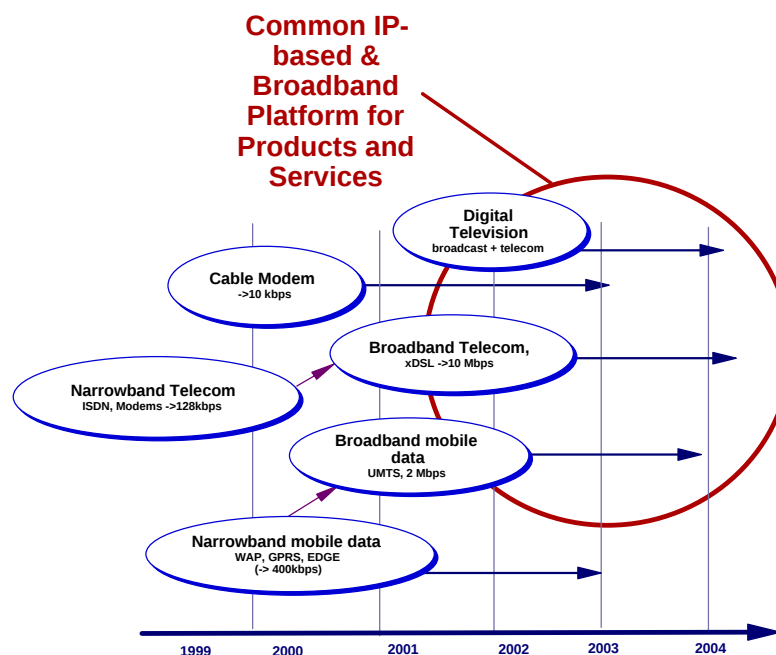
The main trends that are transforming the IT, telecommunications and media industries include among others⁴:

- Deregulation and opening up of world-wide markets
- Accelerating technological development
- Explosive growth of Internet and wireless services
- Convergence between industries

For companies operating in new media service provision the most interesting effect lies in the opening up of the global broadband IP-based network. This is about to happen from the beginning of year 2001. In the new service platform there are three main networks/distribution channels for the services: mobile, telecommunication and digital television networks. New media companies have gained experience in creating services for the narrow-band networks, i.e. to modem or ISDN-based networks or to stored media, i.e. CD-ROMs and multimedia presentations. The survival question for new media industry lies in the capability to transform the existing skills in multimedia design to the upcoming situation. Furthermore, their competitive advantage lies in the experience in TCP/IP-Network authoring tools and in service concept design.

It is quite clear that there will be room for all the three distribution channels. End-users of multimedia/interactive services will not focus on the access platform, but rather they want to use their preferred services via the network the most convenient for the occasion. New media companies have to notice this in their service planning - the same service has to be accessible from different channels - also with certain limitation from the narrow-band terminals. The situation is illustrated the Figure 3.

Figure 3: Towards the Common Broadband TCP/IP-based Network



Source: modified from Tenhunen, 1999

⁴ Topi, 1999

Nordic countries are leading in mobile communications – so what?

In internationalising of operations it is essential to notice that each country will carry its characteristics in infrastructure and media usage. The experiences from mobile handset explosive growth and the pace of technological adaptation here in the Nordic countries may not be repeated to same extent in the rest of Europe. While mobile handset will, with few doubts, become one of the main media in the north, the south European major media may become to be the digital television. Already now European growth rates to digital television are estimated to be as high as 300 000 thousand new users every month and the pace seems to accelerate⁵.

In the table below are presented some key figures of the major markets collected from multiple sources. These are all the time subject to change due to the rapid development in the industry. The figures can be used in segmentation of preferred market to international entry.

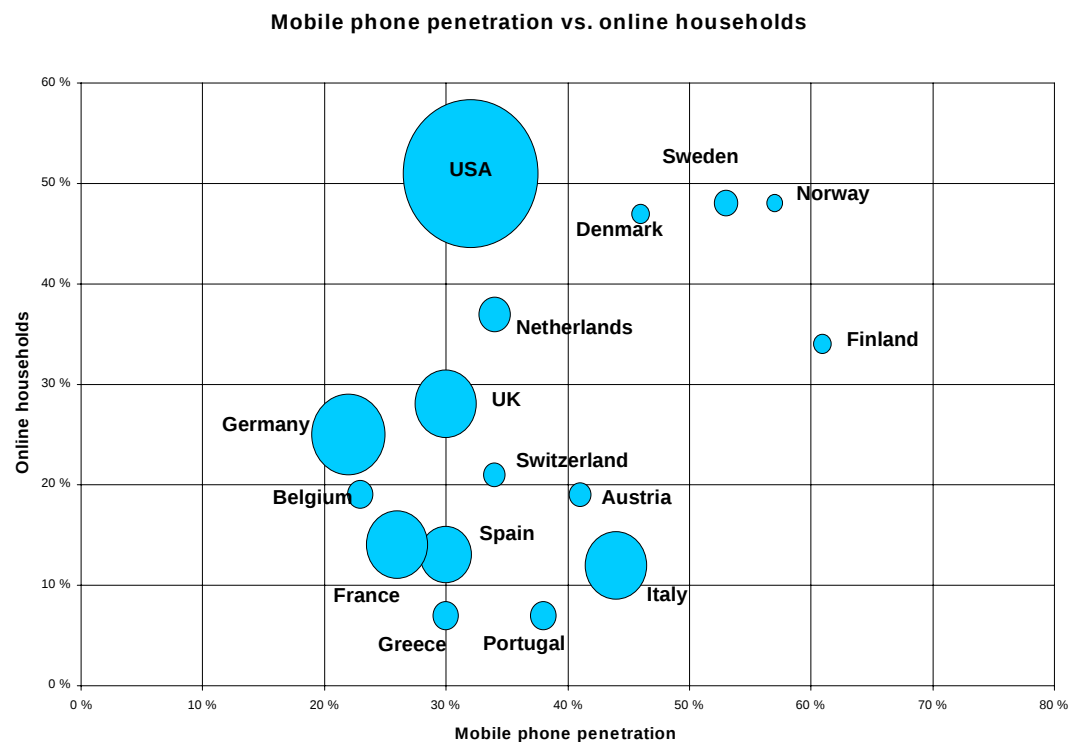
Table 1: Technological adaptation rates in some key European markets in mid 2000

	Mobile phone users	Online households	Population (M)
USA	32 %	51 %	274
Finland	66 %	34 %	5
Norway	57 %	48 %	4
Sweden	56 %	48 %	9
Denmark	49 %	47 %	5
Italy	49 %	12 %	58
Austria	46 %	19 %	8
Portugal	43 %	7 %	10
Netherlands	40 %	37 %	16
Switzerland	34 %	21 %	7
UK	37 %	28 %	59
Greece	35 %	7 %	11
Spain	34 %	13 %	39
France	30 %	14 %	59
Belgium	30 %	19 %	10
Germany	25 %	25 %	82

Source: Satama Interactive sources, summer 2000

The presented figures can be used in segmentation of international markets. In this the most important figures, i.e. mobile phone and on-line penetration, would be used with two dimensions, high and low. The scale of the market is illustrated with object size. It is to noted that the figures presented are not totally the actual market situation. It has to be revised if used in actual business context. Also the situation is changing rapidly and thus the figure has to updated frequently.

⁵ Silvo, Finnish Broadcasting Company, YLE, October 1999

Figure 4: Segmenting Geographical Markets for New Media Solutions

The following observations can be created from the figure:

- the Nordic markets are leading both in mobile and on-line penetrations
- the main European markets are much further in adapting to mobile technology than to PC-based on-line technology
- USA is leading the on-line markets, but behind in mobile penetration

These observations have a great importance for the planning of international operations.

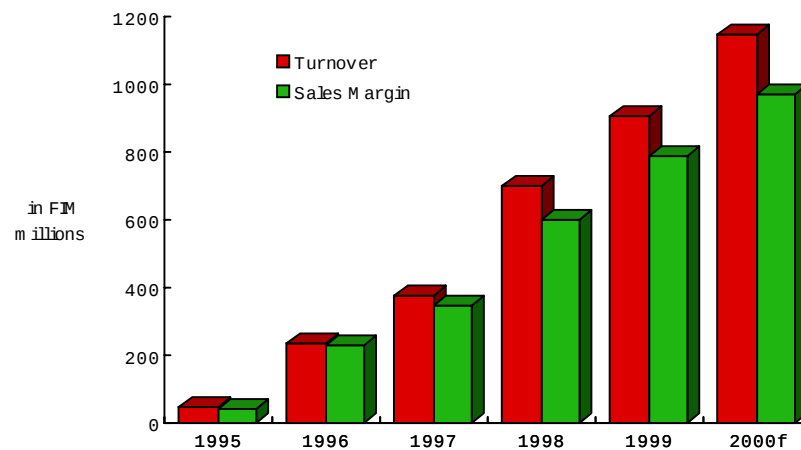
2.3 New Media Markets in Finland

2.3.1 Market Size

Industry with over one billion FIM turnover

The Finnish new media industry was born in the 1990s. The emergence of the Internet-based services in the second half of the decade created a large number of new companies. In the industry survey⁶ some 300 companies were found to operate in the industry and the total turnover was estimated to reach 900 million in 1999 and to bypass one billion FIM during 2000. Figure 5 illustrates the growth of the industry from 1995 to estimated 2000. The figures presented reflect the core activities in the industry (see Chapter 1.2)

⁶ Kuokkanen & al., 1999

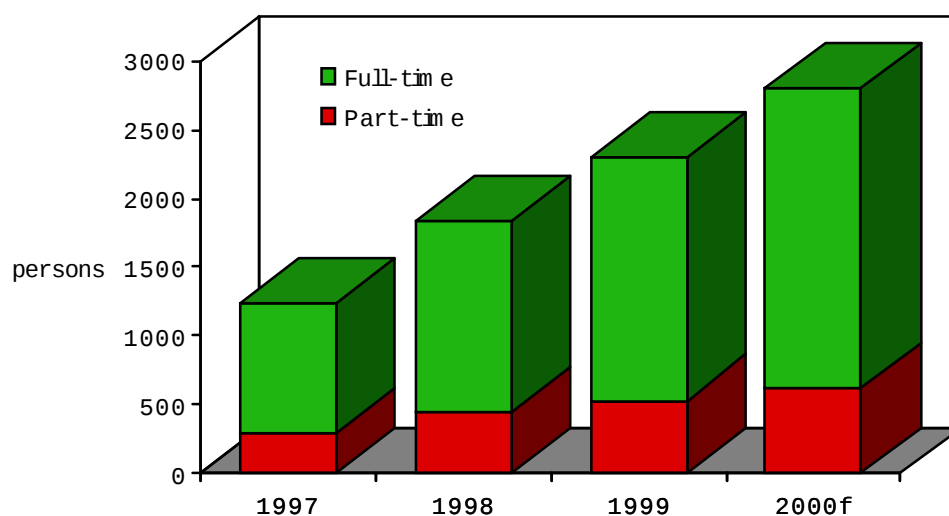
Figure 5: Turnover of the New Media Industry 1995 -2000e

Source: Kuokkanen & al. 1999, p. 18.

2.3.2 New Media Personnel

Nearly three thousand employees work in the industry

The new media industry is estimated to employ around 2700 persons by year 2001 (see Figure 6). This estimate is based on the industry survey. It is important to note that the total impact to employment in Finland is much larger. The new media skills are needed in nearly every industry and thus expand the effect. The focus of the research was on the production-oriented new media companies. Thus this larger scale effect was not evaluated. The annual increase in the employment is around 500.

Figure 6: Personnel in the Finnish New Media Industry 1997-2000e

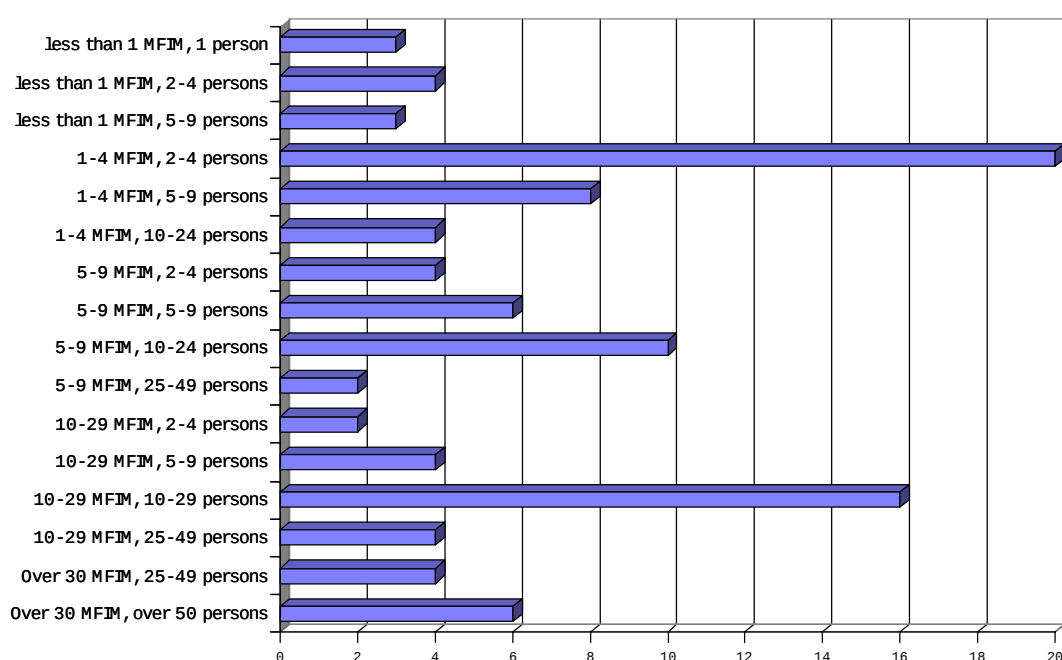
Source: Pelkonen, 1999., p. 71

In this research the survey data was cross-tabled with two variables, *amount of personnel* and *size of the turnover*. It is to be noticed that at the time of the research implementation new

media companies were all very small in scale. By the end of year 2000 the situation has changed drastically. Yet, the spread of that time is presented in Figure 7. In end on 1998 there were three main classes of companies:

- *small company* with a turnover from FIM 1-4 million and personnel of 2-4 persons (20 % of the sample) ,
- *a medium-sized company* with turnover of 5-9 millions and 10-24 persons working in the company (10 % of the sample) and
- *medium-sized company* with turnover from FIM 10-29 million and 10-29 persons working in the company (16 % of the sample).

Figure 7: Personnel vs. Turnover in the Finnish New Media Industry, 12/98
(% of sample, n= 72)



Two arguments arise from the figure above:

1. *The industry will concentrate around fewer players.* The amount of turnover collected by the largest companies does not yet follow the commonly known 80/20-rule, i.e. 20 % of companies generate 80 % of industry turnover. Thus, there is room for mergers and acquisitions in the Finnish new media industry. Development during years 1999 and 2000 has shown this argument very accurate.
2. *The personal resources are very scarce in the Finnish new media industry.* Small companies are struggling about their survival. Only few are able to generate sufficiently of income to recruit new personnel and skills and still keep the present talents in the companies. Also this argument has proven to be very realistic –one of the key limitations for growth in the industry has been the amount of skilled personnel available.

Two main types of new media firms

Helomaa and Väänänen classify new media companies into two classes according to their business ideas. These are *business process developers* and *communications solutions providers*⁷. The

⁷ Helomaa & Väänänen, 1999, p.59-61

former focuses on the development of the client's business processes with the use of Internet technology. The latter is mainly focusing on improving the communications of the customer. The latter can be further divided into two sub-classes: networked media and multimedia communication solution providers. The features of the two groups are presented in Table 2.

Table 2: New Media PBS Firms Types and Their Features

	Business Process Developers	Communications solution providers
Sub-classes	• none	• Networked media • Multimedia
Services	• Aim to develop customer's business processes to be more efficient with utilisation of internet-technologies • Internet, intranet and extranet-solutions • Proprietary systems customised to customer's needs	• Development of customer's communication • Focus on graphical outlook, innovative design or service usability • Highly customised products
Critical knowledge	• Technological know-how	• Communications and design know-how
Organisation type	• Efficiency-focused	• Expertise-focused

Source: modified from Helomaa & Väänänen, 1999, pp. 59-61

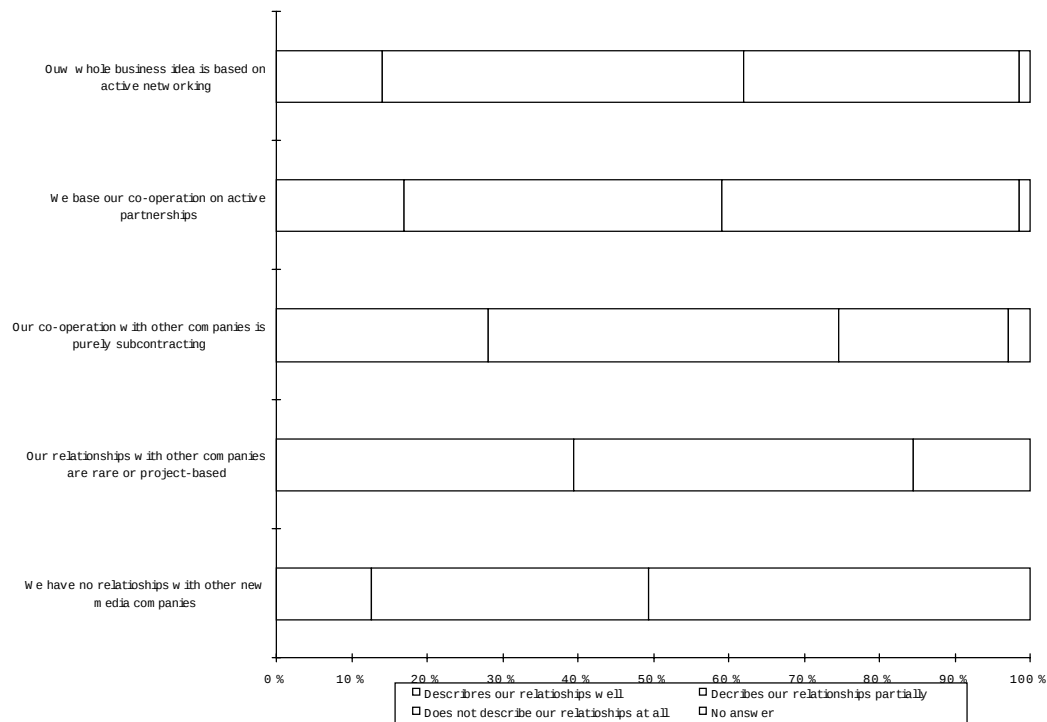
Helomaa and Väänänen argue that identification of the business idea/focus of the new media company between the two classes assist in analysing the company features. They state that the business process developers are more similar to efficiency-based project while communications solutions providers are more similar to the expertise-based organisations. Yet, both groups of companies recruit personnel with high talent and skills due to the rapid development of the industry. Though, the production processes of the companies may become very efficient, the employees need to update their knowledge constantly. One way of carrying this out is to recruit new personnel with new skills.

2.4 Co-operation and relationships

Only modest networking between companies

In the survey the respondents were asked to evaluate their relationships with other players in the industry. The evaluated aspects were the amount of sub-contracting and respondents opinions about the relationships in general. The most surprising finding was that in the end of year 1998, 48 % of the new media companies informed of not having any relations with other companies in the field. 39 % told their co-operation to be mainly project-related or unplanned. 29 % of the new media companies saw their co-operation to be sub-contracting. Yet, on average the total amount of sub-contracting is still relatively low, only approximately 10-15 % of sales. Furthermore, only 15 % of the companies regarded their business to be based on active relationships management. Figure 8 below summarises the relationships findings.

Figure 8: Relationships of the New Media Companies

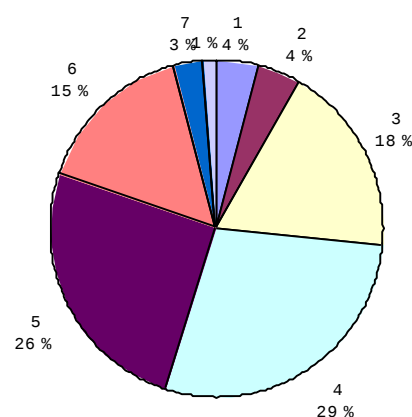


Source: modified from Kuokkanen & al. 1999, p. 29

In addition the companies were asked to evaluate the functionality of network and co-operation with a scale from one to seven. Only four percent of the companies gave the highest grade. Yet, over 50 % gave the grade from 1-4, which indicates that the networks are operating, but there exists a lot of improvement in their functionality. The spread between different opinions is presented in Figure 9

Figure 9: New Media Companies' Opinions about the Functionality of the Business Network

Business relationship networks are functioning well in Finnish new media industry (1-7 scale, 1=highest)



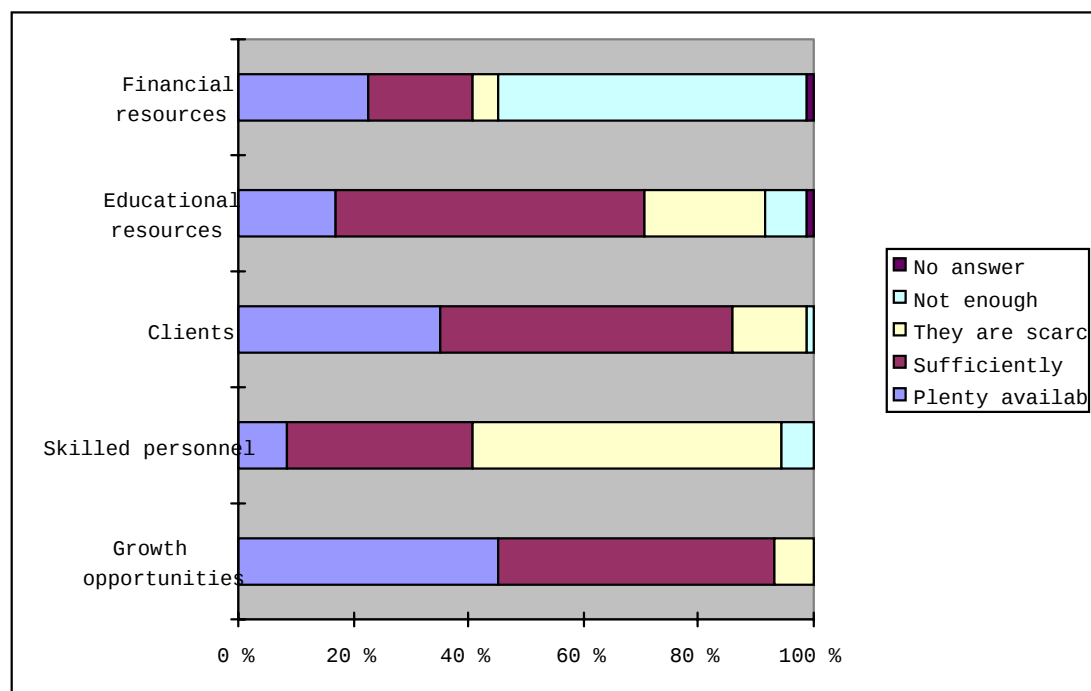
2.5 Adequacy of Resources

Skilled personnel missing

The Finnish new media companies were asked to identify the adequacy of their certain key resources. The classed that were analysed included the following: skilled personnel, educational resources, financial resources and customer potential. Skilled personnel were found out to be the most needed resource for growth. This finding was also confirmed by another recent study of 56 Finnish multimedia companies. The authors state that: *"The most important problem for business development of multimedia producers is the shortage of skilled personnel"*⁸.

In addition, there existed a shortage of financial resources in the markets in 1998. Yet, the recent changes and the increasing interest towards internet-related companies, has increased the possibilities for financing opportunities for new media. Figure 10 below summarises the adequacy of the resources as seen by the Finnish New media companies in the research survey.

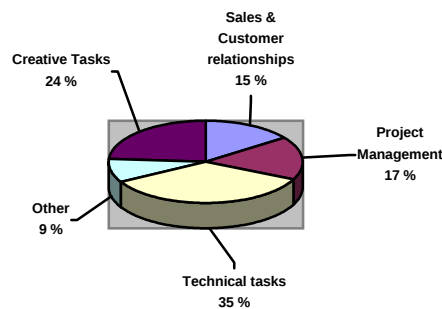
**Figure 10: The Adequacy of Resource
in the Finnish New Media Industry in 1999**



Source: modified from Kuokkanen & al. 1999., pp. 34-37

The main shortages, finances and personnel could both be analysed in more detail. In this research the main emphasis was on skills of the personnel. The companies were asked to identify the main areas of knowledge that they are lacking of. The total recruitment need for new media personnel was estimated to be 500 people during 1999 and another 500 persons in 2000. The tasks that the recruited persons would work on spread between sales and project management and (1/3), technical tasks (1/3) and creative tasks (1/4). This spread is presented in Figure 11 below.

⁸ Lepistö & al, 1998

Figure 11: Recruitment and Tasks in the New Media Industry during 1999-2000

Source. Pelkonen., 1999., p. 72

Several knowledge areas needed

Furthermore, Helomaa and Väänänen⁹ have classified the knowledge needed in the new media companies into five major groups. Each of these have also several sub-groups, skills. The groups are presented in Table 3 below. These give an holistic insight to the knowledge areas that new media companies have to develop. They are also able to extract their expertise from these.

Table 3: New Media Knowledge Areas

Main Groups (Knowledge Areas)	Sub-Groups (Skills)
Business knowledge	• Organisation of operations • Team work • Sales and marketing
Management knowledge	• Project management • Internationalisation • Strategic planning • Social skills
Communications knowledge	• Multimedia creation, editing and usability • Narrative skills
Technical Knowledge	• Programming • Systems Integration • Database planning and administration
Digital media understanding	• Combination of the all above presented skills in all the groups to the new technological environment • Cognitive psychology • Concept creation (Business, Service Product) • Technological possibilities awareness

Source: adapted from Helomaa & Väänänen, 1999 pp. 40-54

⁹ Helomaa & Väänänen, 1999 pp. 40-54

On the purpose of this research, the most interesting points from the knowledge areas is linked to the internationalisation skills. The authors state¹⁰ that knowledge gaps in internationalising new media companies are more rare to exist in companies in which the owners or personnel have previous international experience. Furthermore, they claim that internationalisation is more common in companies that have international clients or belong to international chains. The following chapter will focus on these internationalisation aspects of the new media companies.

¹⁰ Helomaa & Väänänen, 1999, p. 77

3 Internationalisation of the Finnish New Media Industry

This chapter will focus on presenting the findings from the field study. First, the industry survey results are presented and the second, the interview case study issues are brought up.

3.1 Findings from the Industry Survey

In the survey and during the general interviews the target companies were asked to evaluate of their position in the internationalisation development. The most important finding was the companies saw internationalisation as the key source for growth in the near future. Yet, several obstacles were also found.

3.1.1 Involvement Level in International Operations

Companies are at the internationalisation stage

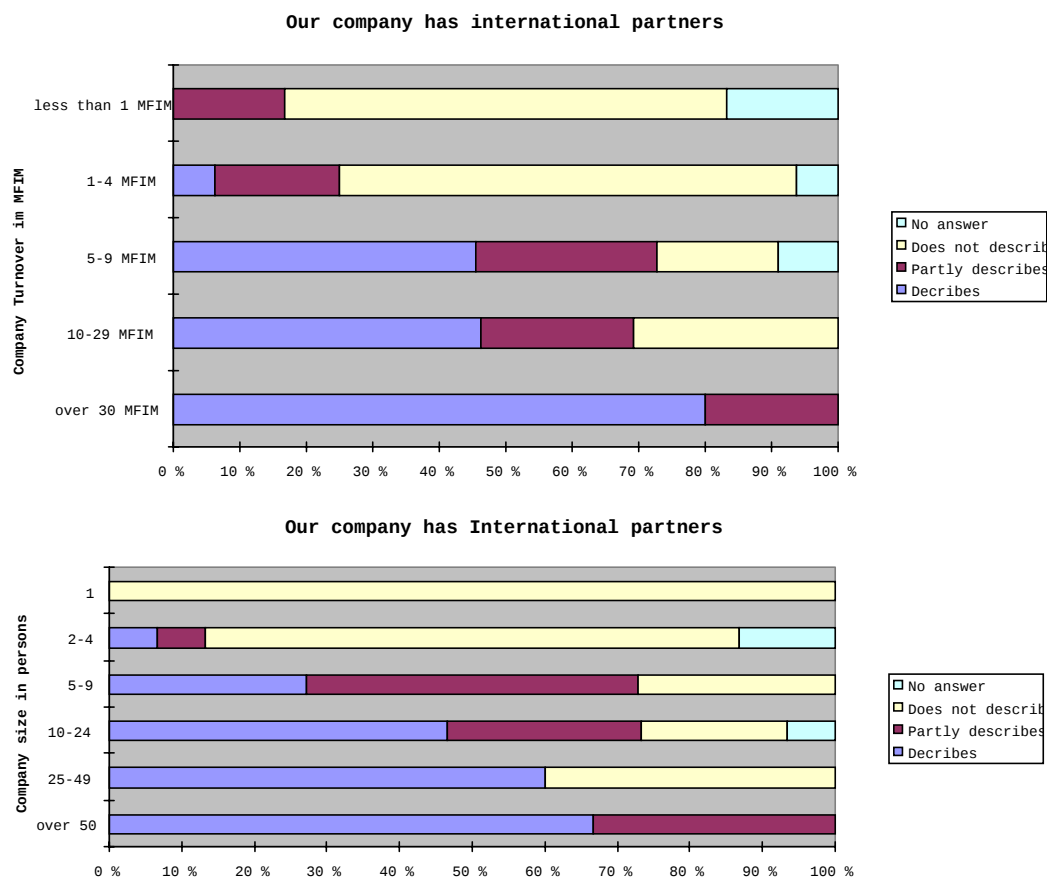
Thirty-one percent of the companies of Finnish new media companies reported to co-operate with a foreign partner (see Figure 12). In addition, twenty-two percent of companies argued to have international relationships to some extent. Thus, it can be argued that in the end of 1998, over 50 % of Finnish new media companies were involved with some sort of co-operation over national borders.

Figure 12: Involvement with International Relationships in the end of 1998



Source: modified from Kuokkanen & al, 1999, p. 39

The companies most involved with international relationships were among the largest companies. All the companies with over 30 million in turnover and over 50 persons working were already involved in international operations. The one-man-companies with less than one million FIM in turnover were not yet internationalising. It can be argued that the internationalisation impact is a clear growth strategy for companies. The domestic market for new media product does not meet the growth needs of the companies and thus they seek for international expansion. The increase in international involvement can be seen clearly from Figure 13.

Figure 13: Company size and International Involvement

The new media companies believed that internationalisation will take place very soon. 60 % believed that several Finnish new media companies will expand their operations abroad in the next two years. By the experiences during 1999-2000, this can be seen as reality – most of the Finnish companies have increased the amount of their international relationships.

3.1.2 Internationalisation Channels and Strategies

Multiple internationalisation strategies

The companies are considering multiple strategies for their internationalisation. In the final report of a Finnish governmental internationalisation program, Pajula¹¹ states that the strategies and business planning processes of the Finnish new media are one of the main shortages. The companies do have written business plans and they lack of personnel to carry out planning. Thus, the strategies are very heterogenous. Pajula listed them as follows:

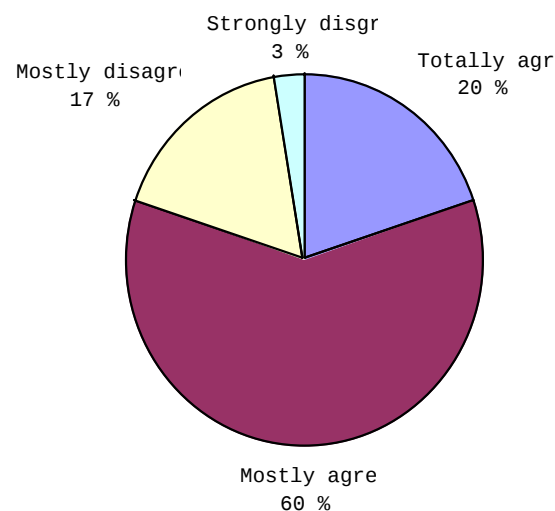
- Fast growth with the support of external financiers
- Fast growth via networking strategies
- Acquisition of a local company in foreign country
- Greenfield investments to a foreign country
- Going with “luck”, i.e. no planning, just ‘ad hoc’ activities
- Internationalisation with customer’s operations

¹¹ Pajula, 1999 in Lehtinen, 1999, p.52

In the filed survey, the most important operation mode was believed to be internationalisation with client's operations. Nearly 80 % of the companies confirmed this argument (see Figure 14). Yet, it is to be noted that there are not too many international customers for new media companies in Finland that enable internationalisation. Thus new media companies have also to consider alternative solutions, such as direct service export, partnership agreements or forming of own subsidiaries by greenfield investments or by acquisitions.

Figure 14: International Growth with Existing Customer Relationships

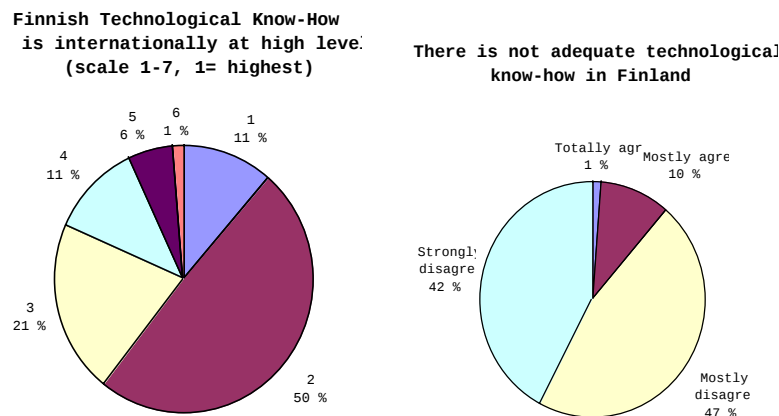
The most important channel for internationalisation are the existing customer relationships



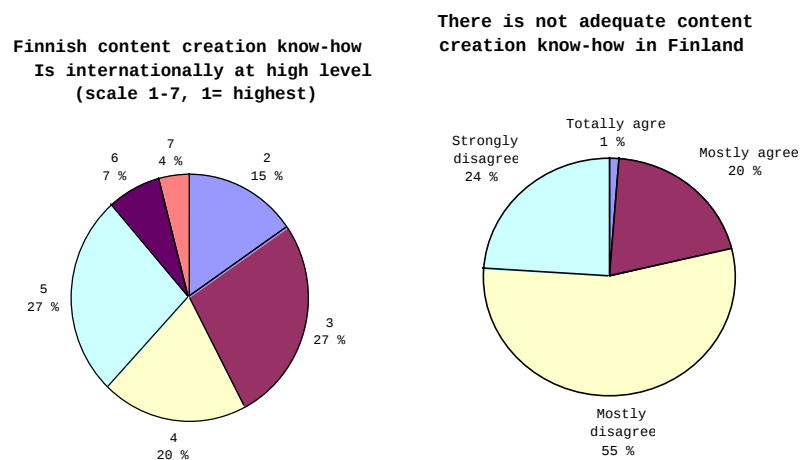
3.1.3 Skills needed in internationalisation

Technological know-how is high

Two dimensions of skills needed in internationalisation were estimated: technology and content creation skills. Companies were very confident about their technological know-how. With a scale from one to seven, 61 % of the companies gave Finnish knowledge a grade 1 or 2. In addition, nearly 90 % of new media companies believed their technological know-how level to be at an adequate level. These findings are presented in Figure 15.

Figure 15: Technological Know-How

The content creation skills were not seen as high as technological skills. Over 60 % of the companies gave the knowledge a grade 4 to 7, while no company estimated it to worth the highest grade. Furthermore, 75 % percent of Finnish companies agreed on that there is a clear knowledge shortage in the content creation skills. This must be seen a threatening factor for the competitive position of the industry. Creation of innovative and attractive content is one of the key issues in the changing new media environment - the Finnish companies seem to have problems of creating sufficiently of them. The findings of the survey on this are presented in Figure 16.

Figure 16: Content Creation Know-How

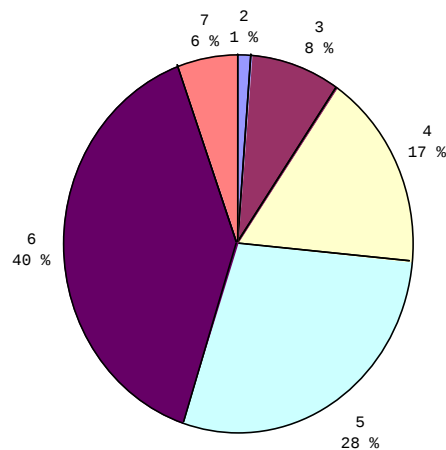
3.1.4 Threat of Foreign Competition

Self-confidence exists about own know-how

The new media companies had mixed feelings about the entrance of foreign competitors to domestic markets. Yet, they were not seen as a major threat to the Finnish industry. When asked to evaluate the threat that the foreign companies could form with 1-7 scale, only ten percent estimated the threat to carry a value higher than 3. In addition, forty-six percent gave a grade six or seven. Thus the threat was not considered to be a major one. Figure 17 summarises the opinions of the companies on this.

Figure 17: The Threat of Foreign Competitors

Foreign Competitors will create a major threat for the Finnish new media industry (scale 1-7, 1=highest)

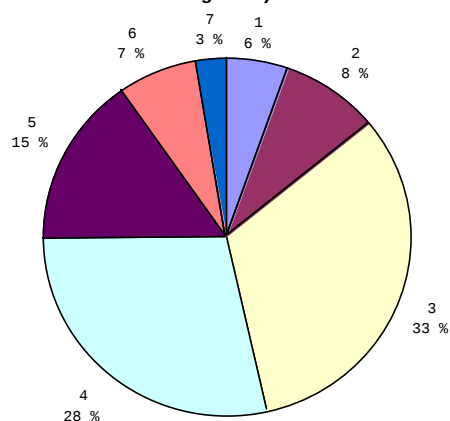


There can be several reasons for the self-confidence of the Finnish companies. In the survey, the most explanatory reasons were estimated to be in the perception of high quality and in the commitment of personnel to Finland. The companies trust on the excellence of their work and on the skills of their personnel.

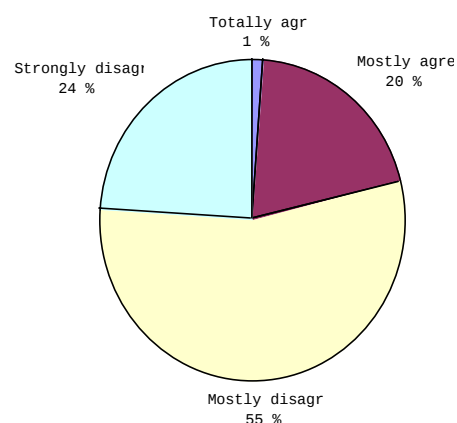
The companies were asked to evaluate the quality of Finnish new media production in the international context with 1-7 scale. Quality was evaluated to be in a relatively high level. 47 % of the companies gave at 1-7 scale a grade over 3 and only 13 % saw the grade to be below 6. In addition, the companies estimated the willingness of their main production force - personnel - to stay in Finland. Only 21 present agreed in to the argument that skilled personnel would move out from Finland, while 24 % strongly opposed the argument.

Figure 18: Reasons for Finnish New Media Industry's self-confidence

Finnish new media productions are of high quality (scale 1-7, 1=highest)



The Finnish new media "gurus" will move out the country



3.2 Internationalisation and Networks in the Finnish New media Markets

This section illustrates the situation for internationalisation in the 12 companies that were interviewed with general interviews and in the two companies in the in-depth case analyses. The main focus is to find the key elements of new media internationalisation pattern and group the companies according to their strategies.

3.2.1 Six Company Groups

Companies are having very different approaches towards internationalisation. The companies could be classified into six groups according to their internationalisation strategy. This classification was created by using a analysis matrix. More detailed company-level internationalisation situations are presented in Appendix X. The six company groups are :

- *Global actors*: a global new media-focused company operating in also Finland. These companies are often listed in an international stock market and have substantial outside investors. They seek for growth by expanding to all the main global markets.
- *Active growth seekers*: a Finnish company expanding rapidly to international markets. There are only few new media companies in Finland that can be classified to this class. These companies have set their goals to operate in multiple markets and investors have also set their growth targets for the company. Active growth seekers are often looking for stock exchange listing.
- *Internationalisation trialists*: a local company having plans and trialing first international operations. These companies are most often privately held, maybe some outside investors have just joined to support the internationalisation activities. The company possesses interesting intellectual properties and aims to expand its operations to foreign markets. Trialists are involved in several internationalisation programs and have some international customers to start their operations on.
- *Inward-internationalisators*: a Finnish or foreign company serving Finnish or MNC customers in Finnish markets, but exchanging international knowledge through the units belonging to the same group of companies or the same chain. The Finnish company may have been acquired by a foreign actor. Inwarders belong often to advertising agency chains and also often localise international productions to Finnish markets. In addition, the services offered are commonly more holistic communication solutions, i.e. including also traditional media elements.
- *“Stand-By” -companies*: a Finnish new media company of preparing itself to international activities, but not yet reacting with any operation. These companies are aware of the situation happening in the international markets, but do not, due to lack of resources or strategical reasons do not yet react to the demand. They may have internationally competitive know-how and skills, but the companies are not actively seeking markets for it.
- *Locally focused companies*: a local new media company serving and focusing on local customers. These companies are either very small and work mainly as sub-contractors for other new media companies or medium sized and serve only Finnish companies and seek growth through them. They may have plans for international markets, but the companies do not see them to realise in the near future.

3.2.2 Situation in Internationalisation

Finnish companies has been slow to internationalise

The companies were first asked to describe the situation of the Finnish companies in their internationalisation. They had very mixed feelings about the success of Finnish companies. Technological know-how was said to be of high quality, but there was a clear notion of skill shortage in concept commercialisation. Special attention was found to be in the success stories at the near-by market, Sweden. As one representative claimed:

“We are not good in marketing our new media concepts. Let’s take a example the domestic e-commerce sites. They are great in their technological infrastructure, they may even be appealing in their design. Yet, has there been similar marketing efforts comparable to those made in Sweden and by Swedish companies in Finland? Swedes make our sites look like brand-new supermarkets build up to middle of our forests. I wonder, where is our courage to take risks and promote ourselves?”

Another representative had also noticed the same, but was more positive about the future. He believed that our technological investments and know-how may bring us a better position in the new media environment. He argued that:

“In Sweden, market far behind Finland still about two years ago, new media industry had a turnover of FIM 7 billion in 1998. We should not feel to sorry about ourselves but analyse thoroughly why the Swedes are so much more successful. Yet, we should remember that this kind of “slow and conservative” approach that we have in Finland may become more fruitful in the long run.”

Third company representative had also noted the strong position of Sweden in the new media development. He encouraged the Finnish companies to be aware own capabilities and to actively prepare us to international markets. He was aware of us selling our knowledge with a too low price. He noted that:

“There are organisations in the west - yes, more west than the city of Rauma -that eagerly want to become shareholders in the Finnish new media companies or form their own units. It is of our duty, to decide whether we benefit from this or not. Let us not tie our hands to any possibility offered, let’s rather be aware of the options available and react when needed. We have skills in this country, why don’t we get them in use!”

The companies have realised that the Finnish infrastructure is one of the most advanced in the world. This may also become problematic to some companies because of the solutions developed here are not ready to used in other markets due to them being in different technological adaptation stage. The companies noted this to be true both in the distribution platforms and in general interest of the Finnish organisations. The following two quotes illustrate the situation

“The technological skills different between countries. If we would like, say, to make promotion in central Europe, the most beneficial method would be CD-ROMs, while in the USA and Scandinavia, WWW is the ultimate method.”

“Here in Finland, we are still too much interested about the network transfer capacity, functionality, about future media phones or about digital television than about the actual content to be used through the terminals or networks. Both governmental and corporate investments into new media content are marginal in comparison to traditional media.”

There were some very sceptical beliefs about internationalisation, too. The growth of the industry was seen to be based on irrational expectations mainly given by financiers profit targets. The two quotes below illustrate these suspicious opinions.

“Internationalisation is most often based on growth and market share expectations dominated by external financiers. The companies seek for growth for growths sake only. Do these companies remember to follow their profitability? - we are sceptical about that.”

“The future growth expectations are incredible, even outrageous. The bubble must break someday. There is so much air in the stock values of the international companies. Yet, if the expectations will become reality, there is room for many new large and international players.”

To conclude, the companies very confused about the impact of international markets. Yet, a common agreement was found to prevail about its importance. Internationalisation is must for the industry. One company representative summarised this as *“We have to internationalise. The domestic markets are too small for us.”*. This describes well the significance of the phenomena and the holistic opinion of the Finnish new media industry. Companies put great value to the profitability of their operations. One company phrased this clearly:

“We will rather have less markets, less turnover, less personnel and better profitability than penetrate to multiple markets in search for maximum turnover.”

Some new media companies have realised their lack of experience in international operations and are very realistic about their opportunities abroad. One interviewed company summarised the situation clearly:

“When a small fish from the Finnish lakes jumps into the Baltic sea, it may survive. But what happens when the same fish swims to the North Sea and meets a whale?”

3.2.3 Internationalisation strategies

Internationalisation plans existed - implementation of them about to start

One the objectives for the interviews was to obtain information about companies' internationalisation strategies. It was found out the companies are quite conservative in their approach. None of the companies were seeking for global penetration in the end of year 1998. On the contrary, some companies were purely focusing on the domestic markets. As noted earlier, the companies saw internationalisation as one of their main targets for the near future. The following quotes illustrate the situation:

“We aim to international markets. We will make greenfield investments when needed. At the moment there are still growth potential in the domestic markets, too. We are constantly preparing ourselves to the demands of international markets.”

“95 % of all the planning inside our company has an international dimension“

“The main target in our corporate planning is to make things work in a way that we would be operating simultaneously in several countries with a total organisation of minimum 500 people“

The companies are considering multiple options for their internationalisation strategy. One interviewee listed them as follows:

“We have four internationalisation strategies: forming of an own subsidiary, forming of a joint venture with a local partner, expanding with our clients operations and exporting our own products, know-how and technology. Also we have discussed about participation to different international alliances.”

Another new media company stated of having also four options

Our internationalisation method will consist of a carefully planned package of the four opportunities: 1) growth via existing clients 2) service and product concept packaging via licensing or through a partner network 3) project work in a consortium or through alliances and/or 4) establishing own offices abroad

Understanding own excellencies was seen as the key to internationalisation self-confidence. One company had clearly understood this by stating:

“We are very small in the Finnish markets, but we believe that we possess some special knowledge that is of great value in the international markets. We do not want to be “a multimedia factory”, rather a niche player in innovative solutions“ We know that we are not good in everything. We want to become excellent in the areas that we are good at. This is our key to success“

Expansion through Existing Relationships as the main strategy

Most companies stated that their method for internationalisation would be expansion with the existing customer relationships. This is very understandable when considering the limited resources that the companies possess. This is thoroughly described by the following opinions from two different interviews:

“Internationalisation for us is that we grow with our clients’ operations. In other words this means that we do not focus on geographical markets, but rather to client markets.”

“We will not start to “pump ourselves” to foreign markets with our present limited resources. We want to be a strategic partner for some Finnish company needing assistance in new media solutions abroad”

The companies showed interest to continue working in Finland. They see the domestic market especially interesting for their personnel. Formation of an international network is important, but domestic location even more important. As it was put in one interview:

“We see our internationalisation so that we want to work here in Finland for the international markets. Internationalisation is crucial for our existence, but we want to be located in here. This is why we need to belong to an international network.”

Active Utilisation of the Business Network Essential

The Finnish new media companies are also actively establishing a contact and co-operation networks in the foreign markets. Several companies noted that this is the preferred method of operation some projects:

“The most convenient and suitable method to internationalise for us is to co-operate with some foreign partner in an international project.”

“In practice we will search for suitable partners and/or target markets where to form an own subsidiary.”

One company had noted the importance of the network in obtaining a major project from an international contractor. It had had strong personal bonds to the organisation and thus was able to leverage these in both the bidding process and organisation of the multinational project:

“We made our largest international deal so far through good personal relationships. We were extremely lucky. On the other hand, we had participated actively in many conferences and learned to know international partners personally and heard about their knowledge. Furthermore, we were able to organise the project to be internationally carried out by our network.”

Market Direction – mainly towards Europe

The Finnish new media companies are interested in multiple markets. Clearly the main focus is in the European new media markets because of our technological advancement

in comparison towards these markets. Yet, the client's opinions were considered to carry high value in the market choice. The strategic choice of expansion with customer's operations will also define the markets where to operate. The following three quotes show the thoughts about the market choice.

“The main direction for us is main European markets. Also we need to consider our relationship to the US. It is the most developed market in new media, especially in business relationships and handling of large projects.”

“We have clients who have operations in 57 countries around the globe. We will definitely not be present at all of them. We have to balance between own operation, network-based operations and no operations in the markets. We will be present where our clients demand us to be, but still among the resources we have. It is waste of resources to start competing against, for example, international advertising agencies in campaign design. We rather co-operate in the areas we know among the best.”

“We know that foreign markets are not similar to Finnish markets. Thus, when the markets have been evaluated, we can rank them according to our plans“

3.2.4 Resources Needed in Internationalisation

Talented people are desperately needed

The main resource shortage of all the Finnish new media companies is the amount of skilled personnel. As presented earlier, the industry will recruit more than one thousand new employees by 2001. There is a intense competition for talents. This can also be seen as the main constraint for growth in the industry - there are more positions open suitable than applicants.

Finnish companies lack knowledge on various fields, but one of the most crucial fields is experience in international project management. As one interviewee put it clearly:

“Own subsidiary chain is not obligatory, but knowledge on international project management is.”

The companies were very confident about the adequacy of technological know-how. They are willing to keep their research and development in Finland due to both skilled personnel and, surprisingly, the personnel costs. This is illustrated by the following quote:

“Our technology basis is in Finland, we are able to move it rapidly where ever needed around the globe. Finns are very skilled, they like their country and they still have moderate demands for salaries. Yet, these have risen in the last few months.”

When asked about the required competencies for the internationalisation on company came up with the following list:

“These are the skills that we need the most: Branding, packaging products and services, Marketing and communication, Knowledge of intellectual property rights (IPRs), Human resource management, Sales, management and controlling of million-scale projects, Business growth control, Business experience in general (grey hair management)”

Pajula¹² point out one additional shortage - the limited number of experienced advisors for internationalisation. She argues that:

“Simply there are so few of those who can say “Been there, ‘done it!’. This makes the entrepreneurs to feel fear, become disappointed, not to find the right contacts abroad”

¹² Pajula, 1999, in Lehtinen, 1999, p. 53

For a Finnish new media company it is not easy to obtain a preferred of known position in international markets. One company emphasised this by stating:

“Our current personnel is not able to extend to too many directions. We have a customer base in Finland to be served. We need to commit our current personnel to domestic operations, but simultaneously create international projects. It is sometimes even too challenging - especially to obtain foreign resource. In Finland is still possible to use own personal contacts, but so easily in foreign markets“

3.2.5 International Management Experiences

Several knowledge areas needed

As the industry is at its early stages of internationalisation, only few opinions could be gathered about the day-to-day management of international operations. These were obtained from the companies belonging to the international chains. All of the opinions reflected the importance of knowledge sharing between the international units.

One opinion was about sending personnel physically to work in different units. The company noted that:

“We are one of the strategic and knowledge accumulation resource centres inside our group. We will send a representative of our unit to an other unit around the group, wherever and whenever needed - and I mean globally.”

This was confirmed by more practical advises about technological methods for knowledge sharing.

“Our whole business idea is based on international markets and co-operation. There are only few days during a week when we are not in contact with our foreign units. We even share the same intranet.”

The global companies seem to organise their operations around competence matrixes. The employees register their special knowledge areas to a common database. On the basis of this, they are requested to fill certain knowledge gaps in the global context if needed. This came up as follows:

“Each employee belongs globally to a competence group. If needed, he/she can be sent to operate wherever needed. They have the responsibility of knowledge sharing between the global competence groups, not only local units.”

Rationalisation of the Internationalisation Strategy

There is a lot to be carried out in making Finnish new media companies successful in the international market. One special feature is linked to the ambition level of the company. If the focus is put only to domestic operations or operations are planned purely basing them to Finnish situation there is little chance of international triumph. The strategic thinking has to be taken to another level. As it was put by one interviewee:

“Special interest should be put on the mindset of being and becoming an international actor and reflect this thinking in all activities.”

When planning of international operations, the Finnish companies should be well aware of their motives for internationalisation. International operations demand resources from domestic operations, they may cannibalise, to some extent, the domestic business. Thus, the goals have to be clear for the internationalising company. This was reflected in the interviews as:

“The main question lie in the motive for internationalisation - why to do it? There is and will be market to be shared here in Finland, too. Foreign operations will demand resources from domestic operations. Do we want to utilise them here or abroad and now or later? I do not know. Only thing I know that we have to ready to react”

One company had a created a list of questions that need to be considered in planning international new media service operations:

- 1) *How to localise own technological solutions to foreign standards?*
- 2) *How to create local content?*
- 3) *How to find the right local people and how to keep them working for the company?*
- 4) *What operational and organisational mode should be chosen for each market in question?*

Some companies have already gained experience in international operations and several practical solutions have been found for this. The following quotes illustrate this:

“If the project would be demanding, we would establish more stable local presence. Yet, the customer thought that we had already a local presence. Thus, we see the network mode very attractive for our further operations, too.”

“We have the possibility to remote administrate all our sites independent of geographical location. This makes it technologically possible to be located in Finland and still service foreign markets. For demanding projects we can also install a server computer with our configurations to the customer premises wherever.”

Selecting the right strategy seems to be one of the biggest challenges in internationalisation. One company crystallised this by:

“When we go abroad, we have high standards, we want to succeed. Problem lies in resources, which seem to be too scarce for all what we want to do. It not a problem of limited opportunities, it is rather of too many opportunities“

3.2.6 Financing International Operations

Obtaining financing is not a challenge, rather its level of sophistication

Finance seems to be one of the most interesting topics of discussion for new media companies. The industry is experiencing a significant interest from financiers around the globe. The expectations are high, but so are returns to some companies. Whether the expectation become reality or not, it is clear that a company willing to start offering services in international markets needs “deep pockets”, i.e. capital to invest in the operation.

General opinion finance is that capital resources are scarce. Yet, the opening up of the Finnish capital market throughout 1990s have given even SMEs access to financial instruments not available earlier. Thus, most of the new media companies argued that they have no problems in finding investors, rather problems in choosing the right ones. As put by one company:

“There is plenty of capital available. Still, we do not want pure money, we need grey hair expertise to supplement the investment. These kind of investors are harder to find. We want strategists to assist us, not short-term profit makers.”

For a very small company the finance may become problematic, but most of the new media companies are able to fulfil the needs of financiers. The ones that have been able

to access the capital markets argue that the Finnish institutions are all too cautious about their financing decision. An interviewee argued that:

“Until recently our own internal financial resources have been sufficient. Still, this is too slow method for international operations. We want more than pure capital from external financiers. Yet, the domestic financial institutions and the financial funds are all too conservative in their approach to new media. This slows down the whole industry.”

The Finnish companies were well aware of the value of their knowledge. The companies are not willing to go after the short-term profits but rather they focus on long-term research and development. The following quotes illustrate the self-awareness of this value:

“We know that we have skills more than the present value of the company. We want first to have a tenfold turnover to present before any giving share of our company to external financiers.”

“We wish to obtain external financiers in the next two months to share the risk of foreign operations with us. They are deeply needed, but we so not want to sell knowledge with a too low price“

Governmental programs ver criticised

Also the governmental support programs were under critique. The following three arguments show the situation:

“The government should realise that in this business half a million FIM is in international context small potatoes. The investments needed for international penetration are much higher. We are doomed to small scale business without large scale support”

“Oh, I wish so much that we would be able to get all the services from the same address or from the same advisor. It has taken at least a year from us to learn the different application and discussion ‘protocols’ that different support or financing organisations have - it a really a pain - and I do not understand that why don’t these organisations co-operate?”

“We wish to find all the possible resources for our internationalisation. It is so difficult to find out what programs the government has. We do not want spend all our time in filling applications, we would like to have everything from the same desk“

Another company complained about the focus of the governmental support programs as:

“The last major governmental support program was to support content production internationalisation. We offer professional services, not content. I think the program did not match our needs in this sense.”

3.2.7 Internationalisation Challenges

Internationalisation requires commitment from the management

There are several obstacles and new considerations that the Finnish companies have encountered in their internationalisation efforts. These relate to increasing requirements, to management problems, to clientele expansion and to partnership creation. It is clear that reaching for a new position in new markets creates also new problems for the actors.

First, the companies have encountered the demand from their multinational customers to organise their internal processes in a more precise way. One company put this as:

“Multinational customers want our processes to be documented. This was a major effort for us. We spent a lot of time and effort in creating them to work. The clients want proof about continuous production quality. Documentation offers this.”

International operations are very challenging to the actors. They require much more attention and may cannibalise the resources from existing operations. The actual creation is always about very hard work from the operation establishers. In paper, the operation may seem very clear, but in practice to turn out to be very stressing and consuming. This was illustrated by a case example from one of the interviewees.

“If we, for example, form a subsidiary to London, we will hire a few locals and send a few persons from Finland there. They need an office, portable computers and accounting systems at minimum. Sounds easy - but - the problems arises from management allocation. Let's say we make one hundred units of turnover in Finland. The London unit would make at the starting stages one unit later more. Still, as we have noticed, the operation will take 20-30 % of our management time. Also it is difficult to obtain local customers, we are not a part of local business network.”

The opportunities that international markets offer are interesting. One interesting point of view arose from one interview. The representative stated that the purchasing culture of clients differed in a positive way in the international markets - they were willing to pay more for the same service. Thus, the problem for international operation was in turn coming from domestic markets. Companies were used to set a too low price for their services. The representative stated that:

“In Finland, consulting and planning is badly compensated. The new media companies under-priced their services a couple of years ago, and still we are suffering from it. We have noticed that international customers are much more willing to pay for good planning, Finns just want the pure product, nothing else.”

Rapid growth has its challenges. Companies need to develop new controlling systems to keep projects manageable. One company stated that:

“When the company employs more than 50 people and project grow in size and expand over geographical borders, it no more controllable in the way it used to be - we need to develop all the time, there is no time and no chance to stop“

The companies have encountered severe problems in acquiring international customers. We have only few globally spread industries and only few companies can serve them. The periferic geographical location is a disadvantage that each service company has to struggle with. If a Finnish new media company has to serve its customers in foreign locations, the cost of operation may become non-competitive in comparison to local companies. Also the reputation issue is of great importance. There are not many well-known Finnish brand names in the global markets. This was well described by one of the interviewees. He stated that:

“Think about it. If you were working for, for instance, an Israeli company willing to purchase new media services. Would you buy them from Finland or rather from some local service company? I'd say local, if possible. This is our main problem in international customer acquisition. To be provocative, I say that being among the best in Finland is close to nothing in the international context- unless having the possibility to ride with our few success stories, mainly Nokia, Sonera and DataFellows.”

The characteristics of the business were well realised by some companies. They understood of being in the service business creates them limitations that are difficult to go around. The export of goods was seen much easier than the export of the “highly tailored and customised services” that the new media companies offer. Partnership

agreements were seen as one channel of going around these challenges. Nevertheless, it had yet only created more worries. One interviewee put this:

“We are definitely in service business. It is much easier to, say, export packaged e-commerce software than to export services. We believe that partnerships are the key to service exporting, but making them to work has proved to be very difficult.”

Local and International Partnerships and Alliances are Crucial to Success

To obtain critical information to the context of the new media business network analysis, the interviewees were asked to evaluate the functionality and feasibility of network operations. The concept was regarded very positively, but nearly all the interviewees claimed that there are some major problems in making the network to work. The pace of the industry growth was seen as one of the main obstacles for network operation modes. It was stated that:

“Alliances have not worked out because of the exponential growth pace in the industry. They are good ideas, but so few have the needed time for them. The focus has been on own competence development, not industry co-operation and common interest reinforcement.”

The alliances and networks cross traditional industry barriers. All the actors mentioned in chapter X, were seen both as suppliers, customers and competitors. The role depended on the project characteristics. Especially in research and development functions the new media companies were more than willing to co-operate with various partners. One interviewee put it:

“We have chosen our partners and clients so that our future visions would become sooner or later reality. We have long-term partnership agreements on research and development, but we want to keep our profile as low as possible. “

There were two groups of opinions on the alliances, the believers and the sceptics. The following two quotation reflect well the opinions of the industry:

“I am certain that strategic partnerships work, but only if they have shared ownership and interest. In addition, they work only if and as long as they are beneficial to all the partners.”

“I do not personally believe in alliances. The values of the organisations has to match. If others want, badly speaking, to “save the world” and we want to make business, we have no interest for co-operation.”

The new media companies presented several suggestion of making the network operations to work. First, they saw that the skills of the companies in the alliances need to complement each other. Second, the companies need to be well organised to be able to co-operate. Third, they would need to have the resources to allocate to the network operation project, without resources the operations would not be beneficiary. Finally, only ownership and common interest structures were believed to guarantee the operation success. This was well described by one representative:

“The total commitment is possible only through ownership structures. We are very sceptical towards alliances. The companies have to be functioning very well, expert in their field, to be able to work in network mode. It is possible to collect an impressive list of “partners”, but what is the actual work carried out in the network - what is the benefit? I doubt, that it is marginal.”

Some companies have realised that the skill complementation is crucial for the operations mode success. They are seeking instead of equal partners for sub-contractors and aim thus to control and master the production network (see chapter 0, p. 64). This was put by one company:

“We focus on building up subcontracting relationships. These we consider not as partnerships. They are rather about knowledge gap filling and delivery capacity. This is more important to us, than the actual number of partners.”

Creating partnership agreements can be very challenging and risky for a company. One company came up with realistic estimate and risk analysis of the situation:

“It is difficult to know whom to trust in the foreign markets. We have some good contacts and some trial projects carried out. Still, there is great risk of losing our core, the company spirit of innovation and creation. Our foreign partner and office has to match to our current attitude towards the new phenomena“

To sum up, the Finnish new companies have realised the potential that networked operation modes may offer for them. Especially they understand their importance in the international markets. Yet, there are several problems to be solved before fruitful co-operation occurs. Some companies are more confident than others in making this. One representative argued this as:

“I feel that we in Finland will sooner or later learn the power of networking. We have no other choice while being faced with so limited resources and small domestic markets. I truly hope that we in the new media industry will realise this very soon, instead of protecting jealously to our domestic positions here.”

4 Conclusions & Recommendations

The chapter will present the key findings of the Finnish new media industry and estimate the correctness of the four pre-set research hypothesis. Also a network model of the Finnish new media industry and its internationalisation is presented. Finally, some recommendations on the basis of the findings and conclusions are presented.

4.1 Main Findings

On the basis of the research seven conclusions of the situation of the Finnish new media industry could be drawn. These are in their logical order:

Finding 1 (F1): New media business (interactive media service provision) is at its basics a professional business service and has similar challenges in its international expansion to other service companies.

New media could be identified to possess the characteristics of both professional business and knowledge intensive services. Internationalisation in these services is highly based on the importance of reputation creation and acquiring and keeping the right personnel and expansion through the existing relationships. As new media is a knowledge-intensive professional business service, it can be stated to have the similar problems and strategies as any other service of this kind.

Finding 2 (F2): New media business is by its birth very global and the companies operating in the industry carry heavy service and know-how export potential.

New media companies are creating services for globally accessible networks with high level of standardisation. The level of customisation can be high for the customer, but on the other hand, the system can be with quite marginal adjustments be localised to foreign countries. This leads to conclusions. First, the industry is by its definition a very global business. Second, the companies that have gained experience in the present WWW-based service creation business, carry a substantial amount of export potential to the markets yet to be developed. Also the technological advancements will enable these companies to use their expertise in the new higher capacity and IP-based networks globally.

Finding 3 (F3): The Finnish new media industry is already in some markets in a “late starter” situation. On the other hand the companies are able to arise to be “international among others” by own actions and by technological advancement.

The level of ambition in the Finnish new media companies has not been in the similar level in comparison to e.g. Sweden. In some markets the Finnish companies are slightly late in their internationalisation efforts. Yet, as the domestic markets have been and will also remain in the future an ideal test laboratory for new services, the companies are still able to improve their international position dramatically in the near future. The most promising opportunities exist in the new mobile communication based technologies, such as WAP, EDGE and UMTS.

Finding 4 (F4): The success of the industry is heavily dependant the companies' capability to meet the requirements of the customers and leverage its existing customer relationships.

There are only few highly multinational companies in Finland. The Finnish new media companies are not in a beneficial situation in competition with their Central European

counterparts. Yet, the companies have been able to develop skills with the few domestic customers that are of great value in the international competition. Especially the Finnish level in technology knowledge is a competitive edge.

Yet, the crucial role in the future has to be put in leveraging the excellent reputation of Nokia and Sonera in the international market. There is a window open for Finnish know-how. This has to be utilised promptly. It can be argued that the key to the international markets lies in these two crown jewels. Yet, the companies should definitely not forget the other Finnish international corporations. They may also offer interesting opportunities for international penetration. Some companies may also be able to access foreign multinational customers through Finnish subsidiaries, as presented in the case analyses.

Finding 5 (F5): Product innovation in the industry requires flexible coalitions crossing traditional industry barriers. The number of these will grow with technological advancements.

The technological development is constantly accelerating. Single company's resources have been shown not to be sufficient for staying up with the development base. Innovation in the new environment requires efforts from very heterogeneous group of actors, large and small, crossing traditional industry boundaries. Convergence between telephony, data networking and information technology has become reality in modern business. Also media has merged with this most influential business cluster in the world. The innovations emerge from the new mixtures of backgrounds and personnel. It can with little doubt be argued that this development will continue to accelerate in the future, too.

Finding 6 (F6): The main resource shortage for the Finnish new media companies' internationalisation is the lack of skilled personnel.

As found by many other similar studies, the main constraint for information technology related industries is the lack of skilled personnel. New media industry does not differ from this. Companies in the industry are estimated to recruit more than one thousand new employees during the next few years. In this, it has to compete with multiple other companies and industries for the best talents. It can be seen that there will be great problems in obtaining the people with the right knowledge combination. The digital media knowledge areas presented also in this research are very much learned at the spot, working inside the new media company. Thus, the educational system may also be in problems of training the required personnel for the expected international growth in the industry. Furthermore, it can be estimated, even without further research, that the situation in foreign markets will be very similar to the Finnish job markets for talents, if not worse.

Finding 7 (F7): Financial capital is available in the markets. Yet, the Finnish companies are not experienced to work with external financiers and high growth requirements

The Finnish capital markets opened up for foreign capital only at the beginning of the 1990s. During the last few years, there has a growing number of new financial instrument launches. At the moment, even a small start-up company has numerous possibilities for obtaining financing, especially in the high-tech sector. Foreign investors have shown increasing interest towards Finnish high-tech and it can be argued that there is plenty of capital available, if needed and if collected properly.

Yet, many Finnish companies, also in the new media industry, are struggling of severe financial problems for their growth plans. They have technologically a very advanced product and are also willing to invest their time an effort for the development of it. Yet, the inventors are not used to conceptualise their know-how for the financiers. This is well seen at the new media sector, where nearly all the successful business concepts are coming from abroad, excluding business-to-business solutions. It can be argued that the level of ambition has an impact to the finance collection. The Finnish new media companies are targeting to low goals in comparison to the knowledge levels existing in the organisations. Though the situation has changed during the last few years, this lack of large scale growth plans was striking during this research, too.

4.2 Hypothesis Evaluation

In planning the research process four hypotheses were set. The four hypothesis and their revised phrasings are presented here below.

Hypothesis 1 (H1): The internationalisation new media industry does not differ from other professional service businesses

As already discussed in Finding 1 (F1), the new media business is a true professional business service. It is highly dependant on the skills of individual persons in the organisation. It also very knowledge intensive and demands a high level of education from its personnel. Yet, new media business has some special features, and thus its cannot be argued that it does not differ from other professional businesses at all. Still, in its internationalisation patterns the industry follows very much the challenges of any other business service. Some companies can be formed as “born globals” but so can they be also in many other service businesses. Thus hypothesis 1 can be seen as correct. This gives an sound theoretical basis for further analyses of the industry in upcoming research projects.

Hypothesis 2 (H2): The main driver for internationalisation is demand for continuos growth

In the hypothesis 2 it was stated that the new media companies are aiming for international market mainly because of the need to continue with the pace of growth they have experienced during the last few years. This was found to be the reality only partially. There are several other factors that affect the focus. One of the most influential factors is the previous experience of the entrepreneur and also the ambition level he/she puts for activities. Also customers have a great impact to the internationalisation of the companies. Thus, the second hypotheses has to be rephrased as follows:

“Finnish new media companies are aiming for international markets to obtain additional growth and to serve their customers better. In addition, the internationalisation is dependent on the ambition level of the company’s owners and personnel. “

The second hypothesis has its implication for analysing the strategies of the companies. Both external and internal factors have to be included in the analyses.

Hypot Hypothesis 3 (H3): The main success factors in internationalisation of Finnish new media companies is the utilisation of business relationships across borders

The third hypothesis was about the importance of relationships utilisation in internationalisation. As Finnish companies are not centrally located to the main global markets, relationship creation and maintenance will be in crucial role for the companies.

Purchase of professional business services is based on high trust. The Finnish companies need to extend their relationship across national borders. There is a great market potential for Finnish know-how. Now the question lies on how to make successful business concepts out of it. At the light of this research it can be argued that *the relationships the new media companies can solve and nurture in international markets will decide on the success of the operations*. Thus, the hypothesis is considered to be true.

This hypotheses has implications to the future analysis. The focus has to be put in using the network approach and the finding about the relationship structure more thoroughly.

Hypothesis 4 (H4): The main internationalisation operation channel for new media companies is leveraging the existing customer relationships

The final hypothesis was about the main channel for internationalisation of the new media companies was leveraging the existing customer relationships. This was strongly confirmed by all the methods; literature review, industry survey, interviews and case analyses. During the last few years, the Finnish new media companies have been able create well functioning business relationships to their domestic customers. They have also obtained some interesting international/global leads. It is very clear that the existing international relationships are the springboard for the new media industry to foreign markets. References of successful productions to e.g. Nokia and Sonera, will open up opportunities outside Finland. The companies have to fast and strong enough to utilise this position and establish operations in the foreign markets, too. The fourth hypothesis is regarded to be true.

In the future analyses the special attention can be put on analysing the customer relationships, their history and their utilisation in business. In internationalisation studies, this aspect offers interesting areas to make analyses.

4.3 The New Media Business Network Definition

This section will define and discuss the internationalisation of the Finnish new media business network. The framework used in this is based on network theories presented in more detail in Appendix X. Each element of the business network is presented separately and then they will be illustrated graphically in the end of the chapter.

Identification of Actors

There are multiple groups of actors in the new media markets. The actors are both domestic and international by their origin. Actors can be divided into core actors and supplementary actors. The main actor groups can be defined as presented in Table 4.

Table 4: Actors in the new media markets

The core of the network	Extended network
• New media companies (existing and new start-ups)	• Financiers (venture capitalists, direct investors, financial institutions)
• Traditional media companies (print, radio, television, cable companies)	• Governmental organisations
• Telecommunication operators	• Education and training organisations
• Communication equipment producers	• Labour organisations
• Information technology (IT) equipment producers	• Research institutions

• IT Software and systems companies	
• Consulting companies	
• Advertising agencies	
• Audio-visual producers	

Identification of Operations

New media activities and operations were discussed in Chapter 1.2 The products and services that the companies offer include three groups: *core, supplementary and infrastructure activities*. These form the first main group of operations the actor carry out in the business network. The core activities are:

- Planning and implementation for multimedia products and services
- Planning and implementation of WWW products and services
- Internet-based advertising and marketing services
- Internet service offering

The two supporting activities are Internet consulting and training and the two infrastructure-related activities are Internet hosting and internet connection services.

In addition to the main activities that the companies work on, they also operate in *research and development projects* either by own resources or in joint efforts. This forms the second major group of operations for the companies in the network.

Third group of operations are the *business network building activities*. These include formal and informal negotiations on project co-operation, financing, sub-contracting agreements or possible research and development activities. The network building operations can be either based on the chosen business strategy on spring on totally ad hoc basis, on occasions such as seminars or conferences.

Identification of Resources

The companies in the new media business network own and compete on the ownership of multiple resources. These can be classified into five major groups: *personnel, hardware, organisational, software and financial resources*. The key resource group was found out to be the company personnel. The more detailed listing of the required resources in the new media industry are is presented in Table 5.

Table 5: The New Media Resources

Personnel	Hardware	Software	Organisational	Financial
• Business • Technical • Design • Other	• Office premises • Production machinery	• Licences • Intellectual property rights • Proprietary contents • Production process knowledge • Knowledge about technology • Knowledge about	• Strategies • Goals • Organisational culture • Organisational structures	• Finance for operations (e.g. R&D, commercialisation, internationalisation)

		customers		
		• Production software		

Internationalisation considerations

The internationalising company (actor) has to constantly be aware of using the right combination of resources to right operation. At its basics the consideration for the international activity consist of three choices: *operation, partner and resource choices*. The choices are made according to the information obtained from the network and to company's accumulated experience. The choices are made constantly and justifications and adjustments to the resource combination are very common. More detailed analysis of internationalisation theories used in this consideration can be found in Appendix X.

Structure of the business network.

The new media markets can be divided for the analysis purpose into domestic and international groups. The both carry their special characteristics in actors, activities and resources. It is difficult to make industry level generalisations due to the fact that the companies operate in *micro- and macro-network*. The micro-network is formed by its *relationships to other companies*. The macro-network is formed by the *interdependencies between the actors and the aggregate of all the mutual relationships*. Different companies see their positions and relationships in different ways. Yet, at the basis of this analysis some generalisations were formed. These are presented in Table 7. The table presents some special features of the each element of the network.

Table 6: Characteristics of Domestic and International New Media Markets

	Domestic Markets	International Markets
About actors	• Some very competitive and growth seeking new media companies • Finnish companies among the world leaders in mobile technology	• Highly competitive markets • Many opportunities exist for fast movers • Heterogeneous technological know-how and infrastructure • Few experienced and global players in new media • Large international IT actors are starting to be active

About resources	• Well educated and skilled personnel available • High-level of technological know-how • Limited number of international customers • Skilled users and advanced infrastructure	• Shortage of skilled & experience IT personnel • Financial capital available for well defined business ideas and concepts • Many large customers available, but serving them demands resources
About activities	• Consolidation of companies via mergers and acquisitions • Mobile communication creates new opportunities and activities • Market size in 2000: FIM 1 billion, ~3000 employees	• Internationalisation and globalisation is an actuality • Large international customer projects carried out • All major companies are building international relationships

Positioning the Finnish New Media Industry

The companies and the Finnish industry is battling for improvements in its positions in both domestic and international markets. The positions are defined by not only by the factors presented in the earlier chapter, but also some other facts, e.g. the reputation of Finland as the “laboratory for high technology”. The positioning factors are presented in

Table 7: Domestic and International Positioning in the New Media Business Network

Domestic positioning features	International positioning features
• Subcontracting activities (at the moment only 10 %) • Companies knowledge of each other is very good due to small markets • Governmental activities encourage for networking, e.g. in R & D projects • Finland is the test laboratory for high-tech solutions - > reputation of the trials	• Finnish companies have some subcontracting experience across borders, e.g. to the Baltic countries • Only few companies have a strong international focus • The new media companies can leverage on the success stories of Nokia and Sonera • New international customers are obtained through business relationships • Foreign competitors are entering and have entered the Finnish market <- reputation

Illustrated Framework

Figure 19 and Figure 20 on the next pages illustrate business network and the internationalisation framework in the Finnish new media industry. The figures also sum up the main findings of this research.

Figure 19: Business Network in the Finnish New Media Industry

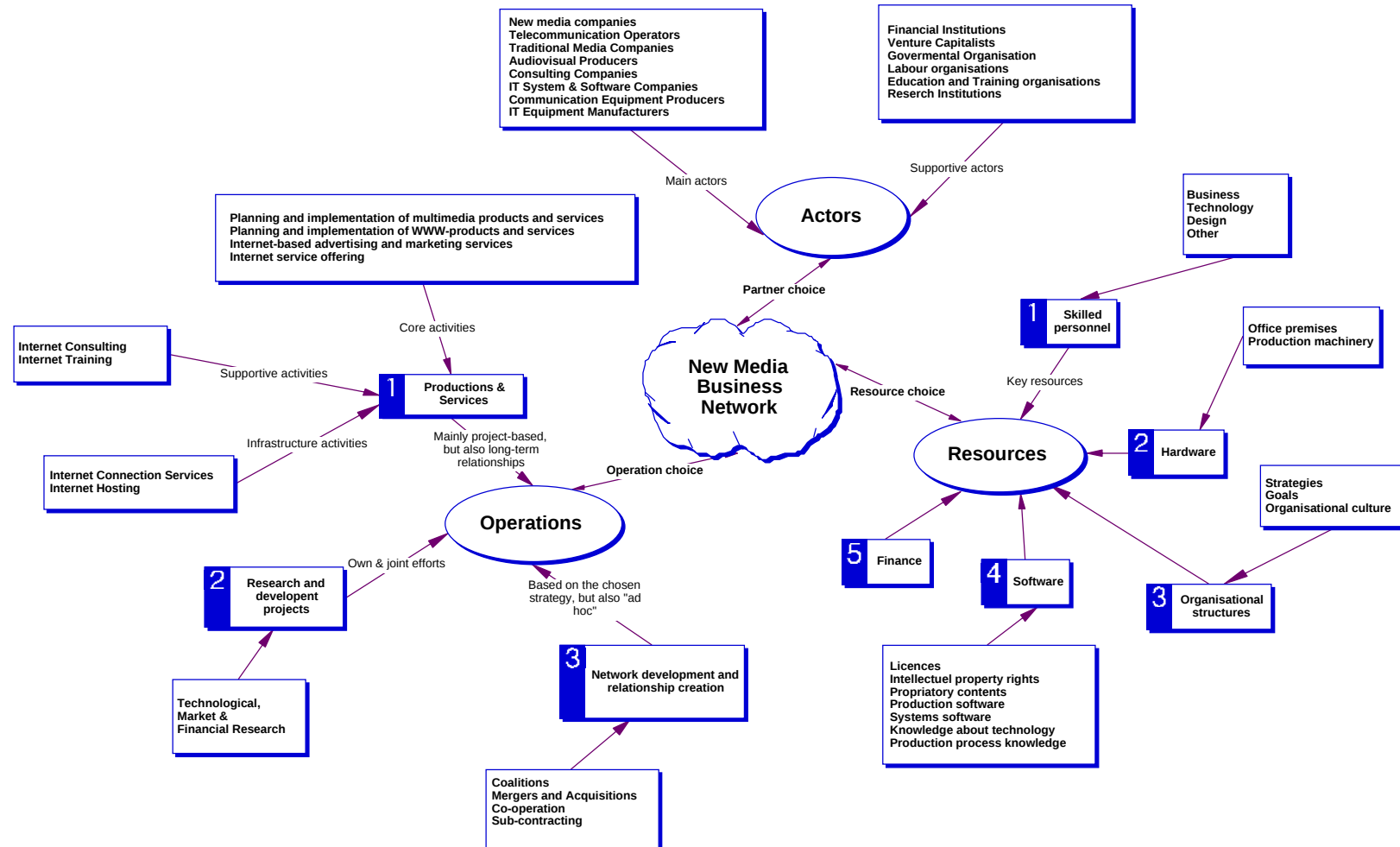
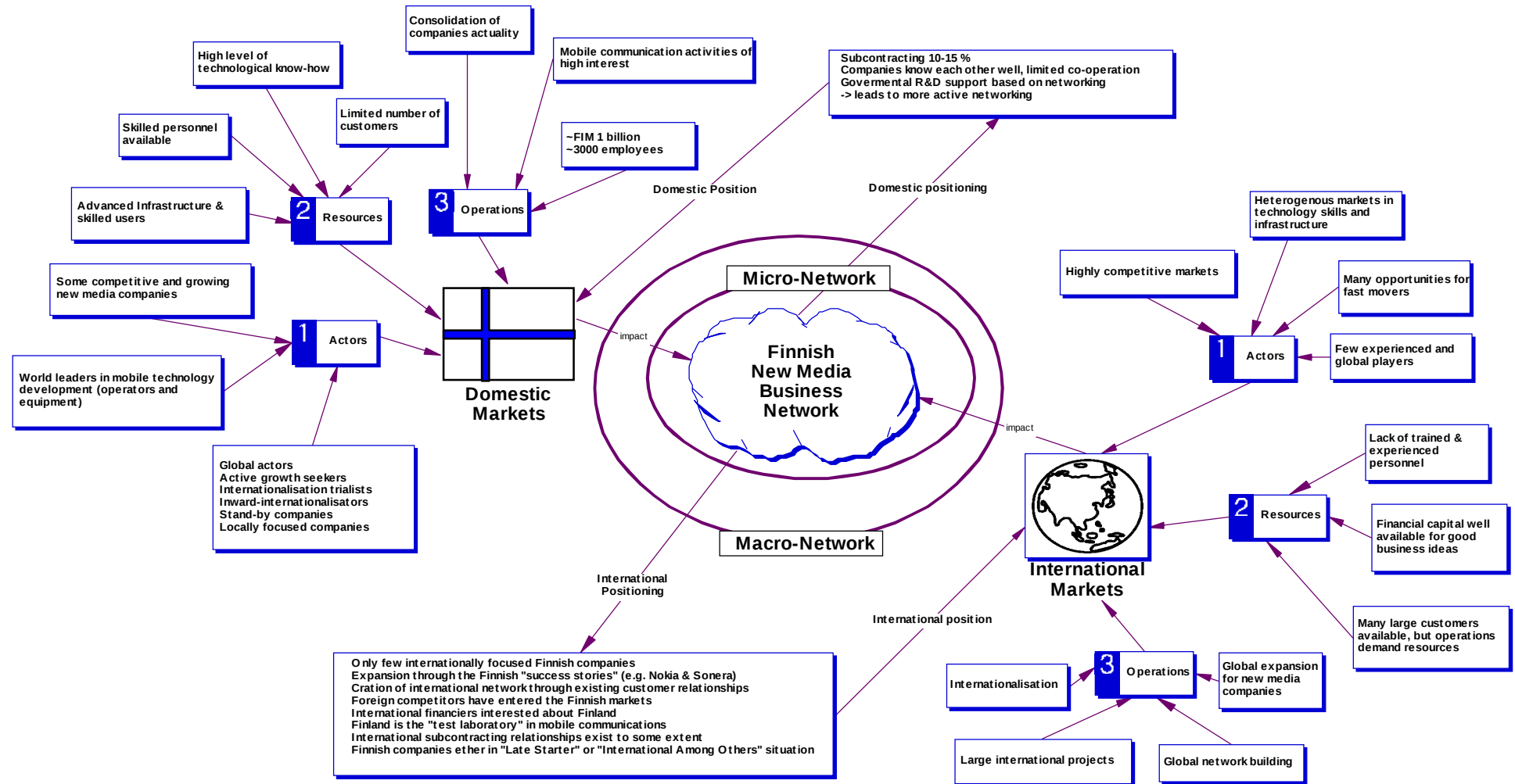


Figure 20: Internationalisation Framework in the Finnish New Media Industry



4.4 Recommendations

This section will present the main recommendations of the research. It will come up with some managerial implications as well as ideas for further research. The section concludes this report.

4.4.1 Managerial Implications

New independent data to be used

There are several interesting aspects that were brought up by this research to the use of new media industry related managers. First, a large amount of new data and charts were introduced. These are of great value for the new media companies in e.g. negotiations with their international financiers. The new media industry is still very young and needs a lot of support from different parties. This study provides them some *scientifically analysed and independent data that the companies can use in their activities*. This research also *continued the research series about the Finnish new media sector* started with co-operation of the Helsinki School of Economics and Business Administration and University of Design and Arts in 1997. Also it is one of the few publications published in English about the industry.

Network framework for understanding business

Second, the companies were introduced to the network approach of internationalisation. If the companies are able to start analysing their positions and develop their relationships better on the basis of this research, the contribution of it is important. At the moment, the networks are not utilised to the extent that their possibilities would enable. As noted, the attitudes of the entrepreneurs are the most limiting factor for co-operational modes. This study may *assist in bringing these barriers a bit lower*. The network model of new media industry is the first of its kind to be presented. It combines several elements that were known earlier and introduces also some new ones. The model creates more understanding of the dynamics of the new media business. Also it may *help the companies to understand the importance of their accumulated knowledge* and each activity's impact to their positions in micro- and macro as well as domestic and foreign networks.

Clear evidence on the network operations' importance to success was brought up

Third, the internationalisation hypothesis showed that companies need to focus on *serving their customers and leveraging the existing relationships* in their international operations. The findings may *have assist the companies to realise the importance of them*. The Finnish companies need to extend their operations to foreign markets. They have the know-how to be exported and efficient relationship management enables them to seek for new markets.

New media business should be developed as a professional business service

Finally, the research collected some of the *experiences of other service sectors' internationalisation*. The new media companies should be able to learn from these and understand to take the correct actions for their internationalisation success. There is know-how in Finland about international operations. It just has to be brought to the places it is needed. It is clearly seen, that new media sector in Finland is one of these.

4.4.2 Suggestions for Further Research

The research formed a basis for several new topics to be researched on. *The approach that is highly recommended to all the further studies is the network and resource-based approach.* A much more information is needed on the dynamics of the new media business network. The following ideas for further research are all based on this thinking.

First, the new media industry is very dependent on the external finance for operations. One new study should *evaluate the different options for finance and their opportunity costs for the company.* This should take into account all the possible methods for finance from internal financing sources to venture capital and stock listings. There could also be comparative elements to other elements such as to software industry or between countries, e.g. Finland and Sweden.

Second, there should be *independent comparative studies about the business networks between countries.* The main emphasis in these could be in analysing the business relationships and their impact on the operation success. The backgrounds of the entrepreneurs should be included in the analysis to form the holistic picture of relationship formation.

Third, one research topic could be *comparative study between the internationalisation of knowledge intensive services.* The studies presented in this research included only one industry and were done with different emphasises. The new research could combine the industry analyses and focus on the similarities and differences between the service sectors. The network approach has not been used in the other service sector analyses and this could bring out some new interesting findings.

Finally, the *converging industries and the alliances crossing traditional industry barriers* should be analysed. This would bring interesting issues about the new innovation creation as well as about the business development in the information technology industry. This one of the most challenging topics and would probably require a group of studies to be carried out. Yet, this analysis would bring interesting insights to the reality and roles in the converging industries.

Appendices

The appendices for the report will present the most important theories behind the frameworks presented in the research. In addition, detailed research related issues are brought up.

A. Professional Business Service Definitions

This appendix will first define services in a broader sense and then come up with more detailed definition of professional business services.

General Service Definitions

There are many approaches to define that what a service is. A common approach to look at differences between the trade of goods and services. Aharoni¹³ points out that *trade goods are tangible while services are intangible*. The customer using a service is paying for information or quality of performance. Aharoni adds that goods can be counted in physical quantities, while a service can be measured only by the duration and intensity given to the user. Aharoni states that different researchers' definitions can be summarised into four main characteristics of a service:

- **Intangibility:** service is evaluated and observed in subjective manner, it is often difficult to objectively evaluate its quality
- **Simultaneity:** the consumption and production of service is most often simultaneous, a service can not be stored
- **Inseparability:** service is directly embedded in the direct relationships between the customer and the producer of a service
- **Heterogeneity:** in service business it is nearly impossible to offer standardised production, the quality and method of delivery varies even in the same service between implementers and companies

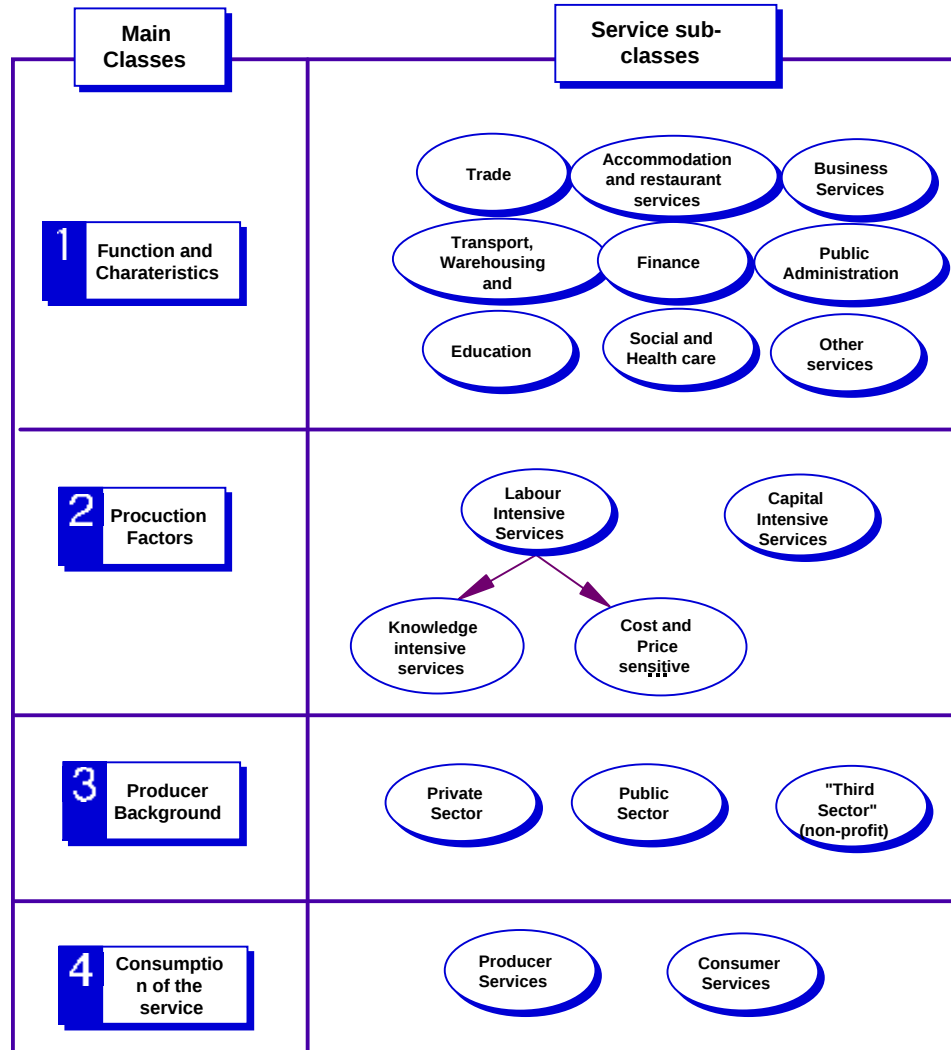
Aharoni states also that services can also be defined by their method of delivery. In practise this means division between *equipment-based and people-based services*. Professional business services, e.g. interactive media services, demand high skilled people, and can be seen as people-based.

Classification of services

Kasanko and Tillikka¹⁴ have created a framework for classifying services. It has four main classes and several subclasses. The four main classes are defined by a) function and characteristics of the service, b) production factors, c) producer background and d) consumption of the service. The main classes and subclasses can be illustrated with a figure presented here below. It is to be noted that the main classes are supplementary to each other. One service can be defined by all the four main classes.

¹³ Aharoni, 1993, p.3-4

¹⁴ Kasanko & Tillika, 1999, p.12-17



Source: modified from Kasanko & Tillikka, 1999, p. 17

First, services can be classified by their *function and characteristics*. The sub-classes in this can be e.g.

- Trade
- Transport, Warehousing and Communications
- Education
- Accommodation and Restaurant services
- Financial Services
- Health care and social services
- Business Services
- Public Administration
- Other Services

Second, services can be classified according to their *intensity of resource utilisation*. This class includes labour and capital intensive services. In addition, labour intensive services can be

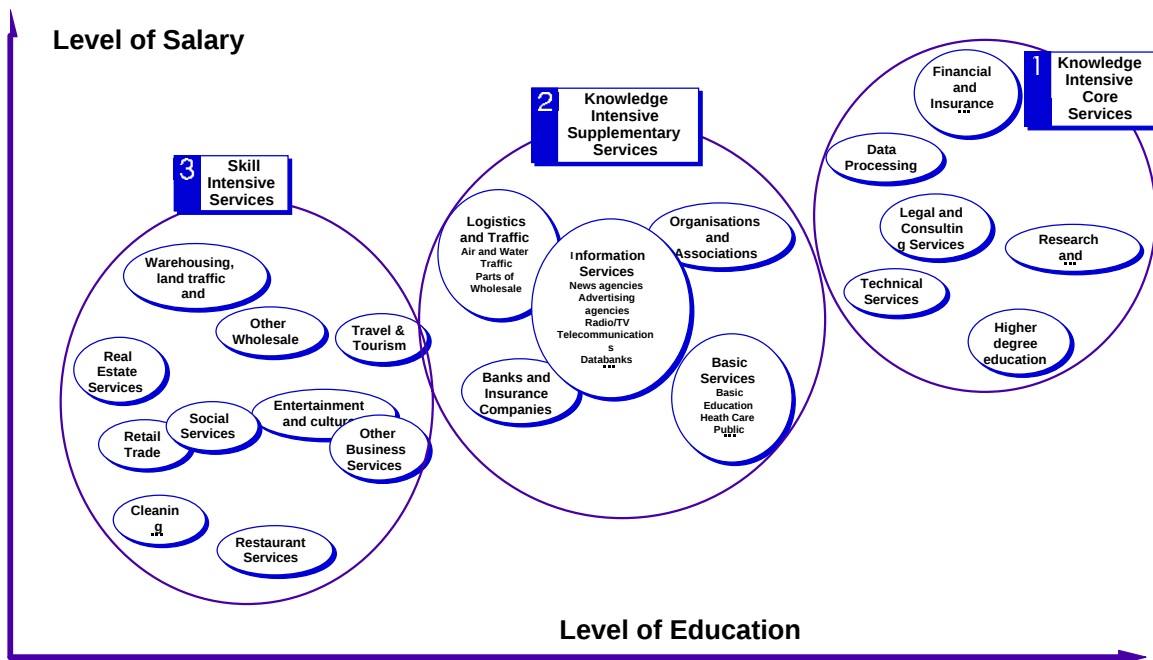
divided into knowledge intensive (e.g. consulting services) and cost and price sensitive services (e.g. hair dressers).

Third, the *service producers background* can be a classification factor. There are three sub-classes in this class, private, public and third sector services. With third sector it is referred to the services that are operating mainly on non-profit basis, e.g. organisations and associations.

Fourth, services can be described by their *target or user perspective*. There are business-to-business oriented (producer oriented) and consumer-oriented services. The first segment aims their services to other companies or organisations while the latter to the individual consumer.

Kasanko and Tillikka take their classification of services to a new dimension: they classify them according to their knowledge intensity. The main variables used in this classification are the *level education and the level of salary of the personnel*. They come up with six core industries where knowledge is the key to success and with five supplementary service industries. Their findings are presented in Figure 21. In the figure the dimension apply both between the main groups and the service sectors within one group.

Figure 21: Services by Knowledge Intensity



Source: modified from Kasanko & Tillikka, 1999, p. 122

The core knowledge intensive services (KISs) are: financial and insurance services, data processing, legal and consulting services, research and development, technical services and higher degree education. Kasanko and Tillikka define KISs as crucial for the competitiveness of the nation, “locomotives of the economy”. The supplementary services groups are: logistics and traffic, information services, organisations and associations, basic services and information services. All the knowledge intensive services are discussed in more detail in the chapter 2.2. The emphasis will be defining their importance to the Finnish economy.

Interactive Media Services Defined by Service Classes

The field of interactive media includes several services that can be included into most of the main service classes. The service provision companies provide and create media services to nearly all the first class companies and organisation. During the first year's of the industry, new media was mainly communications related service creation. Yet, in the recent years, the industry has grown to include electronic-commerce, logistics, on-line learning, health care systems, public administration services, travelling booking systems, financial services etc.

It can be little doubt be argued that new media services are very labour and knowledge intensive. This is the most distinctive characteristics of the industry, it is as dependant of the skills of its individual employees as it is consulting or advertising agency business. New media industry could be argued to have services that belong to both the knowledge intensive categories: core and supplementary services

Interactive media services are mostly sold to the various businesses but, on the other hand, they are often consumed by individual customers of the organisation. This makes special features to service planning. The main creator for new media has been the private sector, but also government have taken an very active role in utilisation of it.

Professional Business Services

Professional business services are services that other companies use in their own production process. In the previous chapter this group of services can be understood as producer service offered by private organisation to the business community. Faketekuty¹⁵ defined PBS as the “*application of knowledge and skills by experts to meet the client's needs*”. Furthermore, Aharoni¹⁶ define them as: “*the provision of intellectual or specialised skills on personal, direct basis, based on extensive educational training.*”

Aharoni¹⁷ describes professional business services to possess the following characteristics

1. Dependence on skilled individuals

They are highly skill intensive and scale is achieved by mainly having a large number of partners or highly skilled participants. PBS services are rarely capital intensive, rather skill intensive. *The key strategic resource for a PBS firm is the ability to attract high quality personnel and loyalty from skilled individuals.* Furthermore, the main strategic asset of PBS firms is their reputation - based on the availability of the skilled professionals. There are great gains to be achieved from training of these individuals. To conclude, human resource management becomes of utmost importance in the PBS firms. The skills of individual professionals in the PBS firms has to converted into its reputation.

2. Customised service provision

PBS firms focus on exploring and solving a particular problem for a client. The service is nearly always unique. They have to offer custom-made solutions rather than a standard service. *This customisation involves a high level of customer-provider interaction.* The PBS firms have problems in the quality control of their services because each customer case

¹⁵ Faketekuty, 1986

¹⁶ Aharoni, 1995

¹⁷ Aharoni, 1993, p. 129-131

differs. PBSs are based on creativity, innovation or pioneering of new concepts or non-routine ways of solving a problem.

3. **High-level of customer interaction**

Customers must be actively involved in the creation of service, even perform some actions themselves via computer networks. PBS firms have to be able to organise its production so that the customer feedback can be handled efficiently in the organisation. Most PBS services are advisory and success depends on the customers ability react to and implement the recommendations. The business is based on high trust. Customers must believe that the service is both necessary and accurately provided.

4. **Regulation of service providers**

In some PBS services the entry to the market is highly limited to some licensed or accredited professionals. This applies especially to the juridical and auditing services. Governmental or professional organisations control and regulate provision of these services. Yet, in some other services, i.e. marketing agency, computer or interactive service provision, these restrictions do not appear.

5. **Dependence on the reputation**

Customer of a PBS firm makes its purchase decision under uncertainty, it can not be sure of the quality to be delivered by the firm. Therefore, the firm has to struggle to make its reputation as good and trustworthy as possible. Much of the professional work is based on trust. The client must believe that the professional service is both necessary and that it is well conceived. Aharoni¹⁸ states that the reputation of a PBS firm the means of signalling quality. For the customer it reduces the effort and cost of seeking for service suppliers.

Lovendahl¹⁹ has defined the characteristics of PBSs in more detail. He has several dimensions in his listing. These are presented in Table 8 and commented below.

¹⁸ Aharoni, 1995

¹⁹ Lovendahl in Aharoni, 1993, p. 163

Table 8: Professional Business Service Characteristics

Dimension	Professional Business Service Firms
Output • Tangible vs. intangible dominant • Customised vs. standardised • Degree of deliverer judgement	• Intangible • Customised • High
Supply • Constrained vs. unconstrained capacity • Resource base • Capital intensity • Number of service outlets	• Short term: constrained, Long term: less constrained • People (professionals) • Low/Strategic decision • Low/Strategic decision
Demand • Fluctuating vs. stable	• Moderately Fluctuating
Client Type • People vs. things	• People/Organisations
Delivery Process • Degree of client involvement a) in problem definition b) in delivery • Place of interaction • Nature of interaction a) formal vs. informal b) continuous vs. discrete • Simultaneity in production and consumption	• Moderate to high • Varies • Site or Client offices • Both • Discrete/ad hoc • Varying

Source: Lowendahl in Aharoni, 1993, p. 163

Lowendahl²⁰ highlights especially the following points from his listing of characteristics:

- The key strategic resource is the professionals
- The second most important strategic resource is the reputation of the firm and its experience record (portfolio of completed project)
- The technology of firm “black box” is embodied in individuals as well as processes/methods, but most of the knowledge is common knowledge to all the members of the profession
- Delivery is project based and ad hoc rather than continuous
- Output is highly customised and frequently requires innovative solution and hence operations are very hard to pre-define and standardise

²⁰ Lowendahl, 1993

- A large part of the production and delivery has to take place “on site” as defined by the client

These findings are very similar to the characteristics presented by Aharoni earlier.

Positioning Professional Business Services into Knowledge Intensive Services

The definitions of professional business services (PBS) and of knowledge intensive service (KIS) sector are very similar in many extents. In this research these two are handled as parallel definitions of the same phenomena. The PBS is noted to be more precise, but on the other hand, KIS is a more holistic approach.

New media industry could be argued to be a knowledge intensive professional business service and thus possess characteristics from both definitions. The competitive factors in the knowledge intensive business will be analysed in the next chapter and it is to noted that these very theoretical concepts are applicable perfectly also in the later analysis of the new media industry.

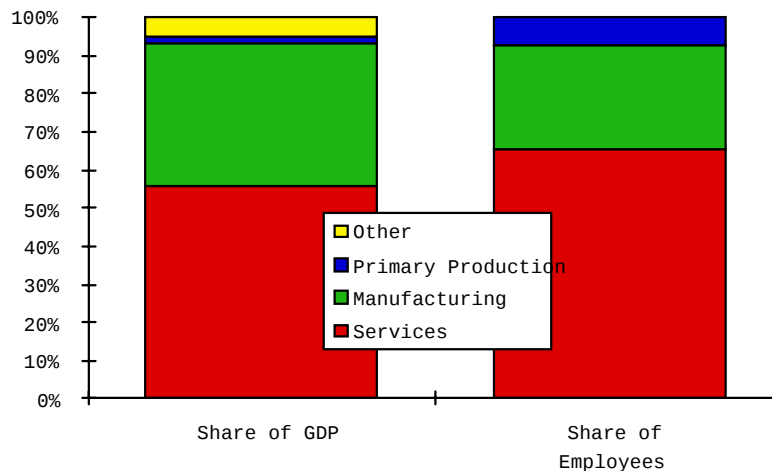
B. Professional Services in Finland

The most recent studies of the Finnish service sector emphasise the importance the knowledge creation in the industries. The requirements for information technology and continuous learning have created a turbulent environment. As one the most focused researches Kasanko and Tillikka²¹ have published their analysis. This study offers a ground basis for positioning interactive media services also for the context of this study and understanding the importance of services for the national competitiveness. The main findings of the study are presented in this appendix.

Significant Importance for the Economy

Services have increased in their importance to the western economies throughout the 20th century. Finland was one of countries that experienced the service boom relatively late. Services represented over 50 % of the Finnish GNP as late as in 1971 and the 60 % milestone was passed in 1991²². In 1996 services had a portion of 62 % of the GNP and the portion has increased during the second half of the 1990s. Service sector's employment impact is even higher. Over 65 percent of Finnish employees, a total of nearly 1,3 million employees, worked in 1996 in the service sector and also this proportion is expected to rise in the next few years. The presented figures represent the whole of service sector, i.e. the definition is very wide and is not totally applicable to knowledge intensive services or to professional business services that are the subject of this research.

Figure 22: Finnish GNP and Employment in 1996 by Production Source



Source: Kasanko & Tillikka, p. 18-20

²¹ Kasanko & Tillikka, 1999

²² Kasanko & Tillikka, 1999, p. 18

Knowledge Intensive Services Represent One Half of the Service Sector

In their research of knowledge intensive services, Kasanko and Tillikka divided services in to three groups: knowledge intensive core services, knowledge intensive supplementary services and skill intensive services (see chapter 2.1.2). The two previous will be presented in more detail in the following.

The six core services consisted of 155 000 employees, 12 % service personnel. the five supplementary services employed 500 000 people and it consisted of 40 % of the total service sector. The spread between different service sectors as presented in Table 9. Kasanko and Tillikka note that during 1993-96, the knowledge intensive service sectors (core and supplementary) have recruited a total of 20 000 new employees. This represented 36 % of all the new jobs in the service sector²³

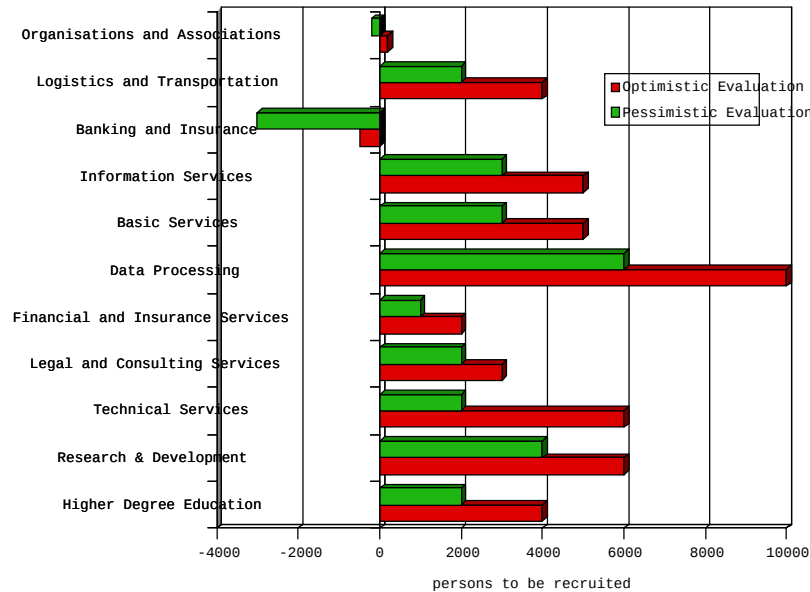
Table 9: Employment in Knowledge Intensive Services in 1996

Service Sector	Employment effect
Knowledge intensive core services	155 000 employees, 12% of the service sector
Higher degree education	41 % of the core services
Financial and insurance services	3 %
Legal and Consulting services	14 %
Data Processing	10 %
Technical services	25 %
Research and development	8 %
Knowledge intensive supplementary services	500 000 employees, 40 % of the service sector
Logistics and traffic	16 % of supplementary services
Banks and insurance services	8 %
Information services	9 %
Organisations and associations	1 %
Basic services	66 %
Knowledge Intensive Service Sector in Total	655 000 employees, 52 % of the Finnish service sector

Source: adapted from Kasanko & Tillikka, 1999, pp.73 and 99

Kasanko and Tillikka have created also estimates about the employment development of in the knowledge intensive services. They estimate 3500 -6500 new jobs every year to be formed in the core services up to year 2004. In the supplementary services the annual employment increase will be around 1000-3000. The spreads between different sectors are presented in Figure 23.

²³ Kasanko & Tillikka, 1999, p. 72 and 99

Figure 23: Recruitment in the Finnish Knowledge Intensive Services in 1999-2004

Source: Kasanko & Tillikka, 1999, p. 126

Recommendations for the Development of the Service Sector

Kasanko and Tillikka conclude their analysis with four recommendations to the development of the Finnish knowledge intensive service sector. These have use also in the new media business development. The proposals are listed in the following and they also conclude this main chapter.²⁴

- *Training and education should aimed to meet better the needs of services.* Knowledge intensive have all the a shortage for skilled personnel. They also require constant learning from employees. Lifetime learning is one of the key concepts in them. Thus, reactions are needed from educational organisations. The similar issues were found to appear also in the new media business.
- *Export activities of services should be supported and reinforced.* The Finnish know-how is in many areas very high in global scale. Yet, we are not exporting our know-how as service to the same extent. There is a great potential in this. This should be taken into use by better planned support activities. This is more than true in the new media business, potential exists, but export is still at early stages.
- *Research and development activities and support programs should be aimed to serve better the service sector.* Technological innovations and product development has been supported, according to Kasanko and Tillikka, very well during the last few years. Yet, there has been only minor investments on service business development. These innovations relate often to service processes and marketing. These functions should also be supported.

²⁴ Kasanko & Tillikka, 1999, pp. 127-129

Networking inside and between industries should be supported and intensified. The companies in the industry are small and their resources are very limited. This makes it problematic to e.g. start exporting. Though several companies have working sub-contracting networks, they need more co-ordination and co-operation at least in R&D and international activities. This will be analysed also in this research starting from the following chapter.

C. Business Network Theories

One of the most powerful and interesting approaches to explaining industrial behaviour are the models based on IMP-group's (International Marketing and Purchasing) business network research. The research project had its basis in dyadic buyer-seller relationship studies in the 1980s. In the 1990s this approach was expanded to a more holistic analysis. Several different frameworks and approaches for networks have been presented. One of the most referred and general is the model from Håkanson and Johansson²⁵. This appendix presents the basics of the network modelness.

Definition of a Network and Its Benefits

To analyse the networked business, it is first important to define what is meant by a network. The model to be presented later will explain it in very detail, but there are also some very basic definitions to start with. For example Christenssen²⁶ defines networks to possess the following characteristics:

- At least two companies are included and they have parallel business relations
- Each of the companies in the network is dependant on other companies' resources
- Companies are independent units
- Networked companies invest their resources for network operations
- Co-operation in the networks is based on mutual negotiations

Wilson and Jantrana²⁷ define the partnership that forms network operations as

“a strategic alliance or a partnership can be defined as a relationship where a synergistic combination of individual and mutual goals encourage the partners to invest time, effort and resources to create a long-term collaborative effort that achieves individual and partnership strategic advantage”.

This definition shows the mutual effort and the importance of the long-term relationship.

Also the reasons for network operations have to be clarified. There can be multiple of these. As one example Christenssen²⁸ classifies the benefits of networks as:

- The position of the SME in the production chain/network will clarify due to higher level of specialisation
- Specialisation enables SME to benefit from economies of scale
- Combination of resources and knowledge between SMEs may create new production methods, innovations or export potential
- Knowledge that can be accessed increases substantially

²⁵ Håkansson & Johansson, 1992

²⁶ Christenssen, 1990, s.28

²⁷ Wilson & Jantrana, 1995

²⁸ Christenssen, 1990 & Christenssen-Lindmark, 1991, p. 40

- Long term co-operation and network activities increase the stability of the SME. It may be positioned better in relation to parties outside the network. Belonging to network works as a beneficial reference for the SME

LTT.²⁹ has classified several objectives for network co-operation. These are:

- Increasing the value of the product/service (product becomes more attractive for its user)
- Accessing new markets (increased distribution channels)
- Enforcing production possibilities (increased capacity)
- Increasing technological know-how
- Creation of supplementary growth
- Improving the efficiency and strength of the organisation/knowledge
- Improving economic situation, creating economic power (cost & risk cuts)

Jonninen & Granfelt³⁰. state that success for a SME in the tightening international competition is very difficult, or even impossible, without co-operation with other companies. They argue that with networking and co-operation the companies can better their competitive situations and improve their weaknesses, i.e. access to technical expertise, financing or creation of integrated production lines & systems.

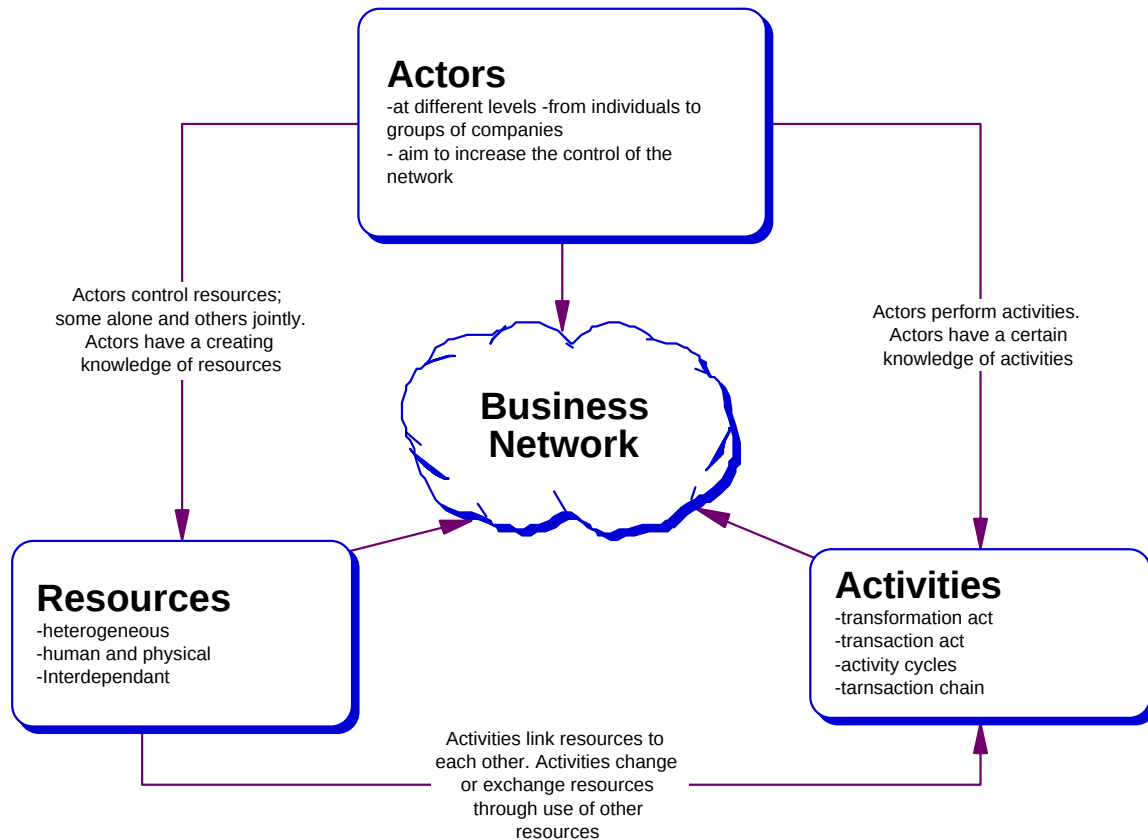
Generic Network Model

The first building block for the purpose of this research's network approach is the generic network model and its elements. In the model to be presented Håkanson and Johansson use three basic variables: actors, resources and activities. These variables are related to each other via business networks. Each variable's characteristics are discussed below³¹ and the model is illustrated in Figure 24.

²⁹ LTT, 1992, p. 10-18

³⁰ Jonninen & Granfelt, 1995, p. 5

³¹ Håkansson & Johansson, 1992

Figure 24: The Business Network Model

Source: Modified from Håkansson, Håkan & Johansson, Jan. 1992. p.29.

a) Actors

Actors control activities and/or resources. Individuals, groups of individuals, parts of firms, firms and groups of firms can be actors. Actors have five characteristics. *First*, they perform and control activities, decide on the timing of a specific activity and about resource utilisation. *Second*, actors develop relationships through exchange processes. Each actor is tied to its business network with strong or weak ties. *Third*, the actors base their activities on control over resources. This control can be direct (ownership) or indirect (based on relationships).

Fourth, the actors are goal-oriented. Their generic goal is to increase the control over the network. With this control the actors are able to reach their more specific goals. Network control is reached through control over resources or activities. *Fifth*, the actors have different level knowledge of activities, resources or other actors in the network. Network control is not evenly distributed among different actors. The more knowledge and the more experience an actor has, the higher is its controlling possibilities. Increased control for one

actor always means loss for another actor. Thus, various coalitions to gain more power are formed.³²

b) Activities

An activity exists when one or several actors combine, develop, exchange or create resources by utilising other resources. There are two kind of activities, transformation activities and transfer activities. In the first one, resources are changed in some way, while in the latter the direct control over a resource is exchanged from one actor to another. Transformation activities are always directly controlled by one single actor, while transfer activities link different actors to each other creating relationships. Furthermore, transfer activities are never controlled by one single actor and are thus affected by the relationship between the actors.

Single activities are linked to other activities in various way. They appear more or less as a sequence of activities containing both class activities. These can be repeated and thus they form activity cycles. Activity cycles are tightly tied to each other and form transaction chains.

Activities in the network are tied to each other via relationships. A *direct relationship* couples two activities directly to each other. *Indirect relationship* occurs when activities are tied together via intermediate activity. In a *specific relationship*, two activities follow each other only with certain actors. In a *general relationship*, the activity is independent of actors.

The networks is always alive, there is always room for new activities. Optimal position does not exist for one actor, each activity changes the consistency of the network. Thus companies need constantly to seek for new opportunities in the network.³³

c) Resources

Various resources are needed to carry out activities. All resources are controlled by actors. According to Holmlund & Kock³⁴ corporate resources can be tangible or intangible and they can be divided into five main classes:

- *Personnel resources*, i.e. company personnel
- *Software resources*, e.g. knowledge about certain technology, production process as well as about the competitors and suppliers
- *Hardware resources*, e.g. machinery, buildings, equipment.
- *Organisational resources*, e.g. organisational structure, goals and culture.
- *Financial resources*, i.e. the possibility to get financial support.

Barney³⁵ classifies the corporate resources into three classes: physical, human and organisational resources. The *physical resources* include technology, buildings and machinery, geographical location and the availability of raw materials. The *human resources* include the skills, knowledge and relationships of company's personnel, training carried out in the organisation as well as the experience, knowledge, skills and relationships of the organisation itself. Into *organisational resources* Barney includes the official reporting, official and unofficial planning, control and co-ordination systems as well as unofficial relationship networks to

³² Håkansson & Johansson, 1992

³³ Håkansson & Johansson, 1992

³⁴ Holmlund & Kock, 1995

³⁵ Barney, 1991

internal and external parties. These classes are very similar to the above presented one. By using the two listings, it is possible to identify and classify all the major resources in organisations.

Håkansson and Johansson³⁶ point out that resources are heterogeneous. The possibilities to use a specific resource are never limited to one single activity. There can be always be new combination of resources in a new activity. They point out also that the knowledge and experience of resources is of great value to an actor. The more of the two an actor has, the more combinations it can create of them in its activities.

d) The network

The three elements presented above form structures that can be described as a business network. Actors develop and maintain relationships with each other in the network. Activities also form structures of relationships. Similarly, resources are interrelated via the network. Each of the variables form their own sub-network, which creates the total network. Håkansson and Johansson³⁷ point out that total network is controlled by four important forces, which are;

- *Functional interdependence*, i.e. how different resource needs are related to actual resource acquisitions
- *Power structure*, i.e. who has the control over certain resources
- *Knowledge structure*, who knows about the location of resources
- *Inter-temporal dependence*, how have the resources become available and how soon can they be accessed

Micro and Macro-Positions Inside a Network

Another building block for the network approach is the concept of network position. Johansson and Mattson³⁸ argue that model for industrial network means in its simplicity that firm's activities in industrial markets are a cumulative process. In it relationships are “*constantly established, developed and broken in order to give satisfactory short-term economic returns and to create positions in the network securing the long-term survival and development of the firm*”. In practice this means that the networks are in short-term stable, but changing in the long-term. Companies develop relationships through their activities in the network and thus secure or gain access to important resources to the production and sale of its products and services.

The authors emphasise the importance of the concept of network position due to the cumulative nature of market activities. They state that firms have all the time positions that characterise their relations to other firms. These result from earlier activities by the firm and other firms and constitute the base which defines the development possibilities and constraints in the network. Johansson and Mattson distinguish the difference between the micro- and macro-positions of firms in the networks. *Micro-position* is the relationship with a specific counterpart, whereas *macro-position* refers to the relations to the network as a whole or to a specific section of it. The authors specify the main characteristics of the positions and they are presented in the Table 10 below

³⁶ Håkansson & Johansson, 1992

³⁷ Håkansson & Johansson, 1992

³⁸ Johansson & Mattson, 1988

Table 10: Micro- vs. Macro-Positions in Business Networks

Micro-Position	Macro-Position
• The role the firm has for the other firm • Its importance to the other firm • The strength of the relationship with the other firm	• The identity of the other firms with which the firm has direct relationships and indirect relations in the network • The role of the firm in the network • The importance of the firm in the network • The strength of the relationships with the other firms

Source: adapted from Johansson & Mattson, 1988

The macro-position is affected also by the interdependencies in the whole network as well as by the complementarity of the micro-positions in the network. Therefore, it is to be noted that macro-position is not the aggregate of firm's micro-positions.

Johansson and Mattson continue³⁹ that positions describe firm's relations to its industrial environment and the illustrate some of its strategic possibilities and restrictions. The firm aims strategically to leverage its position in its future operations. Yet, also other firms possess the similar possibilities. Each actor has own desired changes to their positions or willingness to defend the present situation.

As their conclusion, Johansson and Mattson state that in networks which are *tightly structured*, i.e. the liaisons and bonds between the actors are strong, the barriers of entry are higher than in networks that are *loosely structured*. If the established relationships work and the actors are satisfied for the results of their co-operation, it is difficult for a newcomer to make an entry to the network, whether it were domestic or foreign. Issue of the entry will be discussed in more detail in chapter 0, p. 64.

Problem Areas and Success Factors of a Business Relationship

LTT⁴⁰ has classified the main areas of problems that affect the success of the relationship. These are presented in the listing below. The points presented first are encountered at the start phase of the relationship, while the ones in the end of the list are in more common in a long-term relationship. The internal problem areas in relationships are:

- Fear for unplanned spread of critical knowledge
- Differences in corporate systems and cultures
- Size difference of the parties
- Non-balanced power or benefit structures
- Unclearified of the scope of the co-operation
- Resistance inside the participating organisations
- Changing objectives and loyalty problems

³⁹ Johansson & Mattson, 1988

⁴⁰ LTT, 1992, p. 34-38

In addition, LTT states that there are several outside factors that can affect the success of operations in the networks. These include e.g. changes in legislation, fluctuations in economic conditions. These may lead the parties to take actions that are unbeneficial for the co-operation.

To avoid these problems it is important find out that what can create the co-operation to succeed. Wilson and Jantranina⁴¹ define that key constructive elements for a successful relationship are:

- *Goal compatibility* the co-operating partners share the same vision of the target of joint operation. Both parties are seeing their objectives met in the joint operation and thus are satisfied.
- *Trust* of distrust is the second basic constructive element for business relationships. It is difficult to define in exact terms. Yet, in practice it means that the both parties are willing to count on other party's abilities, expertise and knowledge, as well as on the purity of its motives and intentions in the co-operation.
- *Satisfaction*: perception of the performance level of parties. Both have to be satisfied to each other's performance, or otherwise they seek for new partners.
- In the climate of trusted relationship, both parties invest in developing the relationship further. These *investments* create the fourth element in the relationship. They are an exit barriers from the relationship.
- The co-operative partners create personal relationships in their co-operation. These create the *social bonds* between the two parties. It can be argued that they affect strongly to the success of the relationship. Parties interact in the personal level and the better they know each other, the more difficult it becomes to withdraw from the co-operation.
- In their co-operation, both organisation become tied to each other by several *structural bonds*. These links between the organisation make it more expensive to search for a new partner than continue with the existing partner. The investments already taken into one relationship can not be transferred to another. Thus, the existing bonds are a exit barrier, as well.
- The more experience in different parties has in co-operative modes of operation, the better they can compare different alternatives. Wilson & Jantranina name this experience as the *comparison level of alternatives*. In practice this means a demand for a certain level of performance from the other party in relation to generally experienced level. They also point out that higher the comparison level of alternatives is, the easier it is for the higher level possessor to change its partner. Thus, a the lower level company should invest heavily on the relationship, if the partner is very attractive.

In addition, Eräheimo and Lahti⁴² list some of the factors that co-operating parties would have to focus in aiming for successful co-operation. They argue that these are the basic and crucial elements to fruitful networked operations. They state the most important element of all is the common will to work together, all the problems can be solved if there is a strong

⁴¹ Wilson & Jantranina, 1995

⁴² Eräheimo & Lahti, 1991, p. 18-22 & 1993, 64-66

common belief in the co-operation. Their features are very similar to the ones presented earlier. The elements are:

- *Mutual dependence*, especially between resources that create new business opportunities
- *The business potential of the participants*, a group of weak companies remains weak even if networked
- Personal relationships between the key personnel
- *Compatibility of resources*, these include skills, technologies and corporate culture issues
- Compatibility of objectives for the co-operation, the both parties have to agree on the profit spread as well as on the timing and operation objectives
- *Unanimity of roles and responsibilities*, the role spread between the parties has to be clear but not too binding
- *Agreement of practical principles and methods*, the co-operation may seem beneficial in the contract, but it has to work also on the practical level
- Investment on the co-operation, all the parties have to spend time and effort for the common benefit
- *The targets of the co-operation*, the co-operation has to create, at least in the long run, business advantages for the parties
- *The exit possibilities from the co-operation*, there has to be an agreement that how and when a party can withdraw of the co-operation.

D. Internationalisation Theories

In this appendix the emphasis in the analysis of the internationalisation theories in regard of service business.

International Operation modes

One key element in internationalisation is the operation mode. These are first presented in more general level and then with a special focus to the service sector.

Traditional Classification of Operation Modes

Organisation of multinational activities is demanding for any enterprise. It can be stated that the organisational structure decides on⁴³: a) success b) management means and c) legal and other environment constraints of an international operation. There are several modes that a company can choose from. Luostarinen⁴⁴ classify international operations between two dimension: functionality and investment intensity. He comes up with four main classes of operation modes, which are

- Non-Investment Marketing Operations (NIMOs)
- Non-Investments Production Operations (NIPOs)
- Direct Investment Marketing Operations (DIMOs)
- Direct Investment Production Operations (DIPOs)

Furthermore, he has identified the operational modes in more detail. These are presented in Table 11. Luostarinen's findings were based on mostly to Finnish manufacturing companies. Thus, the analogue between service business has to be carefully considered.

Table 11: International Operation Modes

Non-Investment Marketing Operations (NIMOs)	Non-Investments Production Operations (NIPOs)	Direct Investment Marketing Operations (DIMOs)	Direct Investment Production Operations (DIPOs)
• Indirect Export • Direct Export • Service Export • Know-How Export • Partial Project Export • Marketing management contracts • Distribution or service franchising	• Licensing operations • Production franchising operations • Production franchising • Contract manufacturing • Project operations • Co-production	• Marketing units • Warehousing units • Service units • Sales units	• Assembly units • Manufacturing units

Source: adapted from Luostarinen, 1979, p.107-112 and Luostarinen & Welch. 1990, p.234

⁴³ Aharoni, 1993, p. 122

⁴⁴ Luostarinen, 1979, p107-112

International Operations in Service Business

Pietikäinen & Tynnilä point out that there are five methods to offer services internationally. They offer a broad understanding for the international trade of services. These are⁴⁵

- *Country-to-country transactions* including, but not exclusively voice, image (video), data or other information transmission and the transport of goods from one country to another
- *Licensing contracts* for the use of intellectual property, technology or other services (patents, trademarks, concessions, books, films, broadcasting and recording rights)
- *Travel of individual consumers to another country* (services to non-resident tourists, to students or in medicine to patients)
- *Travel of individual producers to another country* (services provided to foreign clients by business consultants, engineers, lawyers etc.)
- *Sales of services* (accounting, advertising, insurance) by the intermediary of branches or subsidiaries

International new media services include the two latter classes and additionally can include some trade of licenses. According to Aharoni ⁴⁶ professional business service firms can offer their services in the international markets in four different ways. These classes are more applicable to the research topic.

1. By *pure cross-border trade* using telephone, computer network etc.
2. By *clients coming* to the provision company's country
3. By *service provider moving* temporarily or permanently to the place customer is located
4. By offering services through *foreign direct investments*

The most common way is the third, service firm moving to close to the customer. This mode of internationalisation is divided into two sections, permanent and temporary presence. In permanent operation the PBS firm establishes an unit to serve the customer in the other market, while in the temporary unit, representative(s) of the firm is (are) placed to close the customer premises.

Aharoni states that the “*expansion of so-called service MNEs is, often an expansion of a network of several autonomous partnerships*”⁴⁷. With network he refers to the special characteristics that professional service companies possess, e.g. dependence on the skills of individual employees and their individual relations to other market actors or individuals. The success of international operation, can be thus seen as the success of network expansion.

Internationalisation Process of Firms

A more holistic element in the internationalisation theory is the actual process of internationalisation. This is first discussed according to the more traditional school - the stages approach. Then another paradigm to the process is presented. Finally, the process is linked to the service business.

⁴⁵ Pietikäinen & Tynnilä, p. 20

⁴⁶ Aharoni, 1993, p. 6

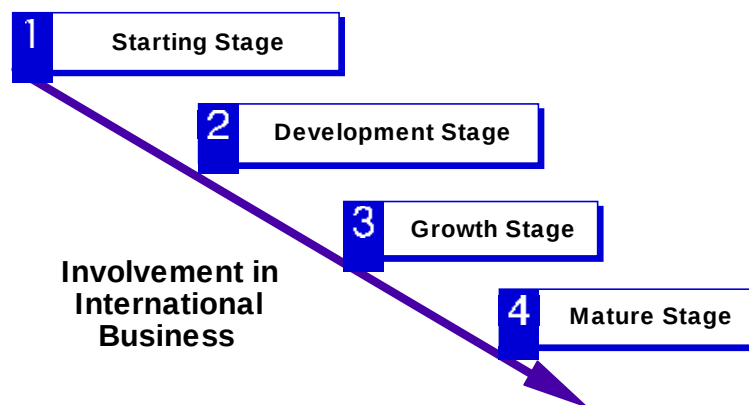
⁴⁷ Aharoni, 1993, p. 135

The Stages Model of Internationalisation

Internationalisation could be defined as company's involvement in international business, which includes all business transactions that involve two or more countries⁴⁸. It is an alternative way of growth form companies and it is a more important growth strategy in the small domestic markets than in the companies with large home markets⁴⁹.

According to the Nordic Stages Theory of Internationalisation developed by Luostarinen (1970, 1979) in Finland and Johansson and Vahlne (1974, 1976) in Sweden, the internationalisation process of a firm can be divided into four different stages. These are: *Starting stage*, *Development stage*, *Growth Stage* and *Mature Stage*. The company moves from one stage to another if there is a change in the product, operation or market strategy of the company⁵⁰. In a mature stage of internationalisation the company may sell know-how and systems in addition to services. Various operation modes are used in the process. A firm commits itself more and more to international operations and international business while moving from one stage to another. Its main strategic objective is to take the commitment decisions that carry minimum risk, but maximum benefit. Figure 25 illustrates the traditional approach to internationalisation.

Figure 25: Stages Model of Internationalisation



Source: Luostarinen, Reijo. 1979, p. 186.

Network-Based Internationalisation Process

The stages approach to internationalisation has been generally accepted by the research community to be one of the most explanatory models. Yet, it has its shortages. Johansson and Mattson⁵¹ have developed the internationalisation process to include the network dynamics. Their model has during the last few years gained arising interest and has become generally accepted to have more explanatory power than the stages models.

Methods to Internationalise

⁴⁸ Daniels & Radebaugh, 1986

⁴⁹ Luostarinen, 1979, p. 27

⁵⁰ Luostarinen, 1979, p. 181-183

⁵¹ Johansson & Mattson, 1988

In their model Johansson and Mattson argue that each company operates in a network of actors, resources and activities. Internationalisation of a firm is that “*the firm establishes and develops in relation to counterparts in foreign countries*”. They continue that this can be achieved by three methods:

1. **by international extension**, i.e. through establishment of positions in relation to counterparts in national net that are new to the firm
2. **by penetration**, i.e. developing the positions and increasing resource commitment in those nets abroad that the firm has already positions in
3. **by international integration**, i.e. increasing co-ordination between positions in different national nets

The firms degree of internationalisation informs about the extent to which the firm occupies certain position in different national nets, and how important and integrated are those positions. Furthermore, Johansson and Mattson argue that the firm's positions before the internationalisation process indicate that market assets that may influence the of the process. With market assets they refer to the relationships that the company has created and nurtures before the internationalisation.⁵²

The distinction between the production network and national network needs also to be discussed. The *production network* is the network that the actual production is carried out, i.e. relationships between suppliers, sub-contractors etc. *National network* is the network in which the company operates in its local markets, i.e. the industry level network. There can be substantial differences in the levels of internationalisation between the two networks. Production resources may be located in foreign countries, but the actual customer and industry lies in purely domestic markets. On the contrary, the highly internationalised national network, enables or obliges the company to consider its operation as a part of internationally spread operations.⁵³

Situations in internationalisation

Johansson and Mattson identify four situations for a company in internationalisation process. They also link the traditional stage model to their situations. They argue that the stage model has its highest explanatory power in market and situation where nearly all the companies were trialists and taking their first steps internationalisation. In the present highly internationalised markets the situation is different - a different approach is needed.

The four situation that the authors define are: *The Early Starter*, *The Lonely International*, *The Later Starter* and *The International Among Others*. They names of the situations reflect the degree of the internationalisation of the firms and the market/network. The situations can be placed in a matrix as in Table 12.

⁵² Johansson & Mattson, 1988

⁵³ Johansson & Mattson, 1988

Table 12: The Four Internationalisation Situations

Degree of Internationalisation of the firm	Degree of Internationalisation of the market / production network		
		Low	High
	Low	The Early Starter	The Later Starter
	High	The Lonely International	The International Among Others

Source: Johansson & Mattson. 1988, p.202

Company has special characteristics in each of the four situations. The markets and networks differ, the accumulated experience levels vary, resources are available in different ways and companies have several strategy options to choose from in each situation. The main characteristics of each stage are presented in Table 13⁵⁴.

⁵⁴ The descriptions are based on Johansson and Mattson, 1988

Table 13: Characteristics of the Four Internationalisation Situations

	Market/ Network Description	Actors' Experience in International Business	Resource Availability and Control	Strategy Options and Considerations
The Early Starter (Low degree of internationalisation of the firm and the markets)	- Few actors in international markets - Initiative to often from outside actors	- Little knowledge & experience available - Experience has to be created by own forces	- Need for resource adjustment and completion - Resources are difficult to obtain	- Extension - Traditional stage model applies relatively well - Often co-operative modes with local actors to start with - Need to build up knowledge and relationships
The Lonely International (High degree of internationalisation of the firm, but low degree in the markets)	- Few actors in international markets - There are opportunities for experienced actors - they can access a wider number of markets	- The firm has experience, relationships and methods to handle operations in foreign countries - The firm can leverage its existing relationships and experience	It is easier to access multiple resources and create new combinations of them	- Extension, penetration and integration - The firm can “pull” its domestic suppliers and partners to international markets by building bridges between the markets
The Late Starter (Low degree of internationalisation of the firm, but high degree in the markets)	- Markets highly internationalised, many players exist, the firm is a starter - Internationalisation is a prerequisite for business - The firm can be “pulled out” to international markets	- The experience can be acquired from suppliers and partners - Fast acquisition of knowledge needed - Relationships play a crucial role	- The competition for resources is tight - Relationships count, external resources are obtained mainly through them, no excess capacity available	- Extension - Utilisation of domestic contacts to extend the network - Acquisitions or joint ventures recommended - Timing of operations of high relevance
The International Among Others (High degree of internationalisation of the firm and the markets)	- The firm and its environment are highly international - Competition is fierce, activities in one market	- Very experienced actors in international operations - All the actors have knowledge and experience and aim to	Global resource allocation and utilisation, production and sales can be totally in different geographical places	- Integration, minor extension and penetration moves - The firm can influence the network patterns in various markets - The firm can possess and analyse multiple positions in multiple

	lead competitors to react rapidly	develop it further	Some functions can be “externalised”	markets Positioning in markets becomes the key to strategy
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Source: adapted from Johansson and Mattson, 1988

a) The Early Starter

In the Early Starter situation the firm has few and rather unimportant relationships with firms abroad. The production net is also in the similar position. The firm possesses only little knowledge about foreign markets and it cannot count on its relationships on the domestic market in obtaining the information. Initiative to internationalise has often come from external sources, from foreign markets' vendors of distributors and they are also very often the counterparts in the initial operations.

The firm is in big difficulties in obtaining the necessary resources for international operations. The foreign operations demand a lot of time from the current personnel and the domestic operations may suffer from the foreign efforts. Thus, co-operative modes of operation with foreign market actors are very common. Problems occur in the control of the resources and in the quality of work standards. The firm has it difficult to control the operations in foreign countries, if it does not possess the local knowledge and learn from the experiences of the foreign network.

The network internationalisation method (see previous chapter) in use for the Early Starters is extension. It is to be noted that the traditional theories of internationalisation (e.g. the Nordic Stage Model) are very relevant in analysing the situations of the Early Starters. The similarities in this situation of them are very similar to the companies that were research objects in forming those models.

b) The Lonely International

The market environment of the Lonely International is not as international as the company is. The firm has gained experience in operation abroad and formed relationships with and in foreign countries. It has means and knowledge of handling different environments from domestic. It is also much further in the learning process of internationalisation that the other companies in the production network generally are.

Having larger relationship network, the firm is able to access and utilise a wider amount of resources in its operations. It is more capable of handling resource shortages in various areas and also able to adjust to them. It can access market knowledge faster and able to influence the product adaptation patterns in the foreign markets. It has also influence on the structure of the international business network.

The Lonely International can help its domestic network to become international. It can “pull” its suppliers or partners to international projects. Out of these the production net gains international experience and is thus able to access international resources. Customers of the production net can, and very often also are, the source for this kind of large international project through which networks can internationalise.

The preferred internationalisation methods for the Lonely International are penetration and integration. Yet, it can also utilise its experience in extending its operations to new markets.

c) The Late Starter

If the production network of the firm is more international than the domestically oriented firm, it is to be noted that the firm has already a large amount of indirect relationships to foreign markets through its domestic relations. Thus, the firm can become “pulled” to the foreign markets. This takes often place in “big” international projects in which either the main contractor of the customer demands international presence from the project participants. The firm can learn quickly about also very distant markets through these projects and be able to extend its operations to that market.

Still, the competition for resources for the Late Starter company may become difficult. The earlier internationalised companies possess more knowledge about the foreign markets and have existing relationships to key elements of the markets. For a newcomer, accessing these may turn to be challenging, if not impossible. On the other hand, through domestic market contacts is possible to gain access to the crucial foreign resources, too.

The Late Starters are often very specialised to certain niche areas. They should be able to offer their services or products in these areas with competitive pricing schemes. Unless, they might run into tightly structured local networks which do not give them easily a fruitful position to operate in the market.

The preferred internationalisation method for a Late Starter is extension, but leveraging on the penetration strategy may turn out to fruitful in later phases. The Late Starters need to access the crucial market knowledge and obtain a position rapidly. Therefore, acquisitions or international joint ventures are often a preferred mode of market entry for them. The timing of operations is also very crucial. The Late Starters are busy already in gaining the position, thus no mistakes in timing of the operations are allowed.

d) The International Among Others

In the case where the firm and its environment are both highly international, Johansson and Mattson call the firm the International Among Others. A further internationalisation for this kind of firms means only marginal changes in extension and penetration. However, the international integration may imply even radical changes to the existence of the company. For the previous two methods the company has many possibility to leverage its positions in various foreign markets. Integration instead is a new area to be benefit from. The operations of the International Among Others firm have to be operated in global scale, i.e. utilise global resource pools, make local units to co-operate and share information etc.

The resource utilisation possibilities for the International Among Others are wide. It has the possibility to e.g. use the production capacity in one market to meet the customer need in another markets. The need for integration and co-ordination in operations is high. In some occasions the firm is able to out-source or “externalise” its operations. This takes often shape in international sub-contracting agreements.

The International Among Others has a substantial influence on the resource utilisation is its networked markets. It can use its powerful position to affect the production network to into targeted direction. It can thus indirectly also influence the resource utilisation of its competitors. Yet, the competition is fierce and the firm is also influenced by other international actors. This may lead to forming of strategic alliances and joint ventures for research and development or for certain markets.

Are the traditional internationalisation factors obsolete?

According to the traditional internationalisation approach⁵⁵ the internationalising company decides on

- the target product/market,
- the objectives in the target market,
- the choice on entry mode to penetrate the target country,
- the marketing plan to penetrate the target market and
- the control system to monitor the performance in the target market.

This approach is very straightforward and catches well the initial decisions to be made in the entry process. These decisions can be put into a list of questions and areas to be checked before the entry. One of this kind of lists is presented in Table 14. The questions presented should, according to the traditional approach give an answer to the company about the entry's feasibility, entry mode and also on the choice of the local partner, form of segmentation, prioritise different markets to other markets, form the marketing mix the products and last but not least, provide the tactical and strategical tools for the company's operations.

Axelsson and Johansson⁵⁶ argue that the presented approach misses the dynamic and accumulative nature of any business operation. They come up with a new list of questions that are based on the network approach to internationalisation. These questions are presented in the other column of Table 14.

Table 14: Traditional vs. Network Approach to International Entry Decisions

Traditional Internationalisation Entry Approach	The Network Entry Approach
a) Target Customers: Who buys the product? Who uses the product? How is the product used? Where is the product bought? Why is the product bought? When is the product bought? b) The Macro-environment: geography, climate, economic, socio-cultural, political/legal factors c) Governmental: regulations, tariffs, labelling, patents/trademarks, taxes d) Competition: price, performance, design or style, patent protection, brand name, services e) Company's Product What are the physical attributes (size, design, materials, weight, colour, other). What are product's package attributes (use instructions, warranties, repair/maintenance, spare parts, other), its expected	a) Actors and Bonds Identification What are the actors - customers, suppliers, competitors, public agencies in the business network? Which are the important relationships they have with each other and with other actors? Are they technical, social, administrative, legal of other ties? b) Power Structures What are the relative positions of the actors in the network? What are the roles of the actors and what power do they have in the network? What constraints does the network impose on the firm regarding, for example, possibilities of relating to other actors, areas, fields of applications, suppliers, etc.? What possibilities do specific potential partners in the network offer to the company as regards access to suppliers and resources controlled by others? c) Own relationships

⁵⁵ This section is revised from Root, 1982 in Axelsson and Johansson, 1992

⁵⁶ Axelsson and Johansson, 1992

profit contribution for each product adaptation? How will all of these match the market?	What are the relations of the focal firm in the potential country market? Which are the direct relationships? How can they be used? Are there any indirect relations to actors in the potential host market, e.g. through contacts with partners in other local markets who in turn have direct relationships in the entry market? d) Resource mobilisation How can resources of other actors be mobilised in support of the market entry? Who of the related actors should be mobilised, why, for what and by what?
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Source: adapted from Axelson and Johansson, 1992, p. 200-201

Axelson and Johansson⁵⁷ point out two additional points on the market entry. They argue that the *entry is never controlled by a single actor, it is rather about interaction between multiple parties*. Single actor can be aware of activities but it has no possibilities to control them. Second, the authors state that *no outsider is able to perceive the whole of the complex network*. A new entrant, e.g. the firm aiming for the market, can only see surface of the links and bonds between the organisations. Thus, the pre-entry check-up list, as presented above, may occur to become obsolete with knowledge increases of the market.

Managerial and strategic considerations about the new approach

To conclude⁵⁸, there are three main points to be noted from the network approach to international market entry. First, the entry is a *process which evolves over time*, it is not an event. The evolution is based on the interaction between the entering firm and its counterparts in the entry market. Also the domestic network is involved in the internationalisation, the firm extends its network and is thus able bring international contacts to the whole of its network.

Second, the company planning to internationalise should spend time in *orienting* itself to the new market conditions. The new business network has its existing actors and bonds. It is difficult if not possible for the entrant to find thoroughly about them. Yet, analytical approach and careful mapping process assists the firm to find about these crucial links between actors. Bonds between the newcomer and the target market develop gradually. Also trust between partners develop only gradually. It is very difficult to rush up this development.

Third, *market positioning* is important. Each company have their position in the network, on micro- and macro-levels. The entering firm should be aware of the positions that the other companies have created for themselves. The newcomer will always create a market reaction and the actors will aim to counteract to it. Thus the dynamics of the position are of special interest in this sense. In addition of being aware, active role has to be taken. The entering company will define itself in the market by its partners and projects it is carrying out in the target markets. If the company has planned the order of the strategically important projects it wants to involve itself to, it is possible to affect this positioning. One minor position in one project may lead to a major position in another project.

⁵⁷ Axelson and Johansson, 1992

⁵⁸ This section is based both on own analysis and on Axelson and Johansson, 1992

Finally, the *timing of operations* is of critical importance. Opportunities for change appear at irregular intervals in the markets. It is difficult to estimate the exact of correct timing when to act. Thus, more importance should be put on the potentiality to react to changes than to the estimation of the timing. One way of guaranteeing this is to participate actively in the network, be present in the places where things start to happen. The company should be able to build its relationships and resources so that it can act rapidly and promptly to the opening opportunity. Otherwise, the opportunity window may be filled by somebody else or totally closed. In high-tech environment this is the ultimate situation. Strategic possibilities are very short on time, thus reaction speed is of utmost importance.

“Born Global” Metaphor

The network model of internationalisation has gained several acknowledgements around the research society. As one of the most comprehensive and collective papers to analyse the new paradigm was presented by Madsen and Servais⁵⁹ in 1997. They combine in a interesting way the network theory and the more traditional approaches to internationalisation. Their main rationale is to state that the internationalisation playground has changed radically and there are companies that are “born global”, international ever since their birth. Thus, the traditional theories on gradual commitment or stage models do not explain their internationalisation.

Madsen and Servais have noted that the phenomena that they call born globals has been of research interest throughout 1990s. There has not been common agreement on the terminology to use. The suggested names for the same phenomena have been: *born globals* or *global start-ups* or *high-technology start-ups* or *international new ventures*. Yet, they point out the main characteristics between these different definitions are very similar and thus common agreement should be found and a framework for studying the phenomena should be formed.

Madsen and Servais have analysed the characteristics of the “Born global” firm. The main features are presented in Table 15. It is to be noted that the findings are very similar to the original network model presented in earlier chapter.

Table 15: Traditional Firm versus “Born Global” Firm

	Traditional Firm (Established)	Born Global (Start-Up)
Resources	• Developed gradually • Resources build into the organisation	• Limited • Resources accessed via networks • Dependence on outside resources
Internationalisation Strategy	• Gradual commitment • Formation of stable units • Thorough and conservative planning	• Utilisation of hybrid modes • Dependence on networks • Client followership to new markets • Fast and intense extension

⁵⁹ Madsen & Servais, 1997

		• Highly dependant on the experiences of the entrepreneur
Industries	• Industrial manufacturing	• High tech companies • Professional Services
Markets	• Experiences in domestic markets are utilised in international markets	• Operations are directly planned to international markets, no domestic learning
Theoretical background	• Stage models	• Network models
Situation in the Network model (see earlier chapter)	• Early Starter	• Late Starter or International among others

Source: adapted from Madsen and Servais, 1997

Driving Forces for “Born Globals”

Madsen and Servais argue that there are three main factors that have changed the internationalisation environment of industries. These are: 1) new market conditions, 2) technological developments in the areas of production, transportation and communication and 3) higher level of capabilities of people, including entrepreneurs. They state that these factors are interrelated, e.g. more skilled personnel is more capable of taking advantage of the new possibilities.

By new market conditions the authors mean that amount of specialisation and thus number of niche markets have increased. Global logistics channels have enabled distribution of products directly on global basis. Also global financial markets have enabled new means of finance for operations. *By technological advancements* they refer to the possibility to have more efficient means of product delivery and communicate, i.e. via internet applications. *By increasing capabilities* they refer to that more and more people have become influenced by foreign cultures, spend time in foreign social context and thus having a larger contact network. Also the cultures around the globe have become more universal, less heterogeneous. To sum up, the authors forecast that these changes *will become more widespread* and thus, there will be more and more opportunities for “born global” enterprises.

Suggestions about the Born Globals

Madsen and Servais have come up with nine suggestions of the existence and internationalisation of born global companies (BGs). These are not scientifically proven but rather suggestion for further research. The propositions are:

- At the background of a born global there is nearly always one or several *entrepreneur(s) with strong international experience* and perhaps in addition a strong product
- *The more internationalised the market is, the higher is the number of BG companies*
- BGs are *more specialised in niche and highly customised products* than the traditional exporting companies
- The *geographical location* of BGs is determined by the *past experience* of the founders and partners as well as economic or customer related factors - directly in interaction.

- BGs are more *reliable on supplementary competencies* sourced from other firms and their distribution channels are more often dependent on hybrid structures, i.e. close relationships, joint ventures and network partnerships
- The *growth of BGs is directly related to the innovative skills* in R&D, distribution channels and partnership creation. These involve international relationships that require frequent, intense and integrated efforts across national borders.
- In the counties that the *domestic markets are small and limited*, the density of BGs is higher than in large domestic market countries.

Service Business Internationalisation Considerations

This chapter illustrates in some of the recent findings from the studies about professional service business internationalisation. It also summarises two of the most recent internationalisation studies carried out about Finnish professional business services.

Service Business Companies' Internationalisation Differ from Manufacturing Companies

Aharoni⁶⁰ states that professional business services differ from the manufacturing industry based approach to international operations and internationalisation processes. He claims that the internationalisation theories presented do not apply directly to internationalisation service business, more explanatory theories are needed. This argument is supported by several more recent studies.

For example, on their study of the internationalisation of 122 Finnish SMEs, including several service companies, Holmlund & Kock⁶¹ found out that the *business network that an SME has an significant impact on the internationalisation process*. Their rationalisation to this has three arguments. First, the *resources and information needed in internationalisation is accessed through networks*. Second, *the operational mode for an SME is most often indirect* and thus the enterprise is dependant on another actor at foreign markets. Third, *the entrepreneur was found out be heavily dependant on his/her personal social network* in search of information and partners. The authors argue that it is essential for an SME to create and maintain both strong and weak relationships to other individuals. They point out that weak relationships can be used in e.g. obtaining information about upcoming orders, while strong relationships can be used in making decisions concerning internationalisation.

In addition, O'Farrell & al.⁶² point out in their analysis of British professional service companies several interesting arguments about service business internationalisation. They analysed 135 companies that had international experience and found among others that:

- First, *involvement with foreign markets is not necessarily associated with investments in contractual arrangements or foreign direct investments*. This is because of the control of personnel expertise and client relations form the basis of business service development in all the markets. The expansion to international market is mostly originated from the service company's clients. Foreign market entry for service companies is a casual process. It

⁶⁰ Aharoni, 1993, p. 135

⁶¹ Holmlund & Kock, 1998

⁶² O'Farrell & al. 1998

occurs when the company obtains an agreement from a foreign customer or from domestic customer's foreign unit.

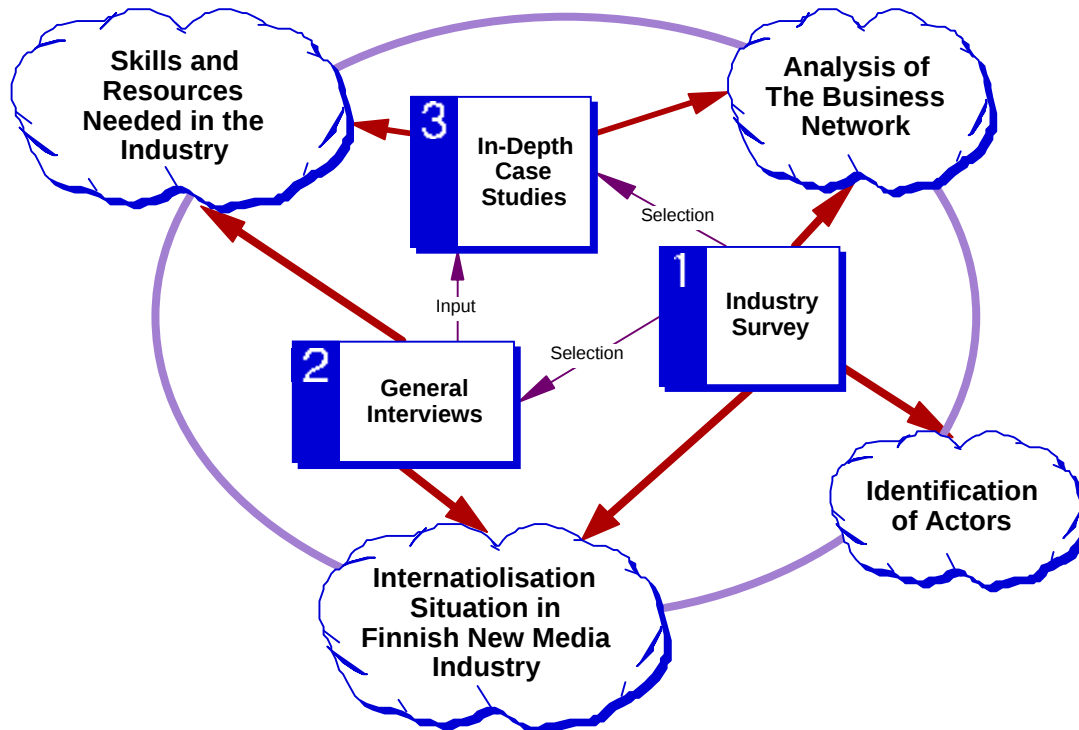
- Second, *service companies can “dip their toes” i.e. test international operation in different markets more easily than manufacturing companies.* They do not have to invest large sums to international trials, they are more flexible to try out project-based operations in various locations.
- Third, *the service companies have it more difficult to establish permanent presence than manufacturers.* The foreign operations carry significant opportunity costs in establishing the necessary infrastructure, including foreign market expertise. At the same time the internationalising company has to sustain the domestic operations with the core personnel. The foreign operation takes more time and resources than concentrating on the domestic customers' problems.
- Fourth, *service firms carry out foreign operations often due to their reputational character.* Foreign assignment enable professional service companies to increase their position at the “eyes” of the domestic customers, even though they may not be profitable.
- Finally, *service companies are often unaware of the opportunity costs related to foreign operations.* They charge for their foreign operations the same cost than from domestic project. Thus, the companies create unprofitable projects. Operations abroad are more expensive and time consuming to them than they expect them to be.

It can be argued, that **service business differs from the internationalisation of manufacturing companies**. There seems to be a common understanding on this. To have a clearer picture of the characteristics that the Finnish professional service business has, the following chapters summarise findings from some of the studies that have analysed the sector in Finland.

E. Implementation of the Research

There were three separate methods, an industry survey, general interviews and finally, in-depth case studies. The interrelation of the methods is presented in Figure 26.

Figure 26: The Research Methodology



There were four main objectives in the field study

- to identify the *main actors* in the industry (industry survey)
- to analyse the *internationalisation situation* in the Finnish new media industry (industry survey and general interviews)
- to *identify and analyse the skills* that the companies need or lack of in their internationalisation efforts (general interviews and in-depth-case studies)
- to *analyse the business network structure* and micro and macro positions of the companies in the new media industry (industry survey and in-depth case studies)

The targets were reached by using inputs from multiple sources. The data collected by own resources was also supplemented with the most recent consultant reports and extensive information collection from the internet. Table 16 below presents the objective of the research and shows the relationships of them to the research questions, tasks and methods.

Table 16: Research Stages, Questions, Tasks and Methods

Objectives	Research questions	Description of research tasks	Used methods
Identifying and defining new media industry and analysing its characteristics (macro-level)	1. What are the characteristics of new media industry as a professional business service?	- Identifying the new media companies in Finland - Analysing the industry as a service	- Literature review - Industry Survey - General interviews (12)
Analysing the new media industry's internationalisation patterns (micro/macro-levels)	2. What resources are new media companies utilising and lacking of in internationalisation? 3. What are the modes in use and to be used in internationalisation of the industry?	- Identifying the critical resources of the new media companies - Describing the internationalisation patterns of the Finnish new media industry	- Literature review - Industry Survey - General interviews (12) - In-depth case studies (2)
Business Network Analysis	4. How can additional resources be obtained by utilising business networks?	- Conclusions of the research findings - Formation of the business network model - Creation of recommendations to related parties	- Research findings - Conclusions

The New Media Industry Survey

The industry survey was carried out as project in the Interactive Media Group of LTT-Research Ltd. at the Helsinki School of Economics and Business Administration (HSEBA). Author of this research worked as one of the group members. His responsibility in the four-person project group was to focus on the internationalisation and knowledge aspects of the industry.

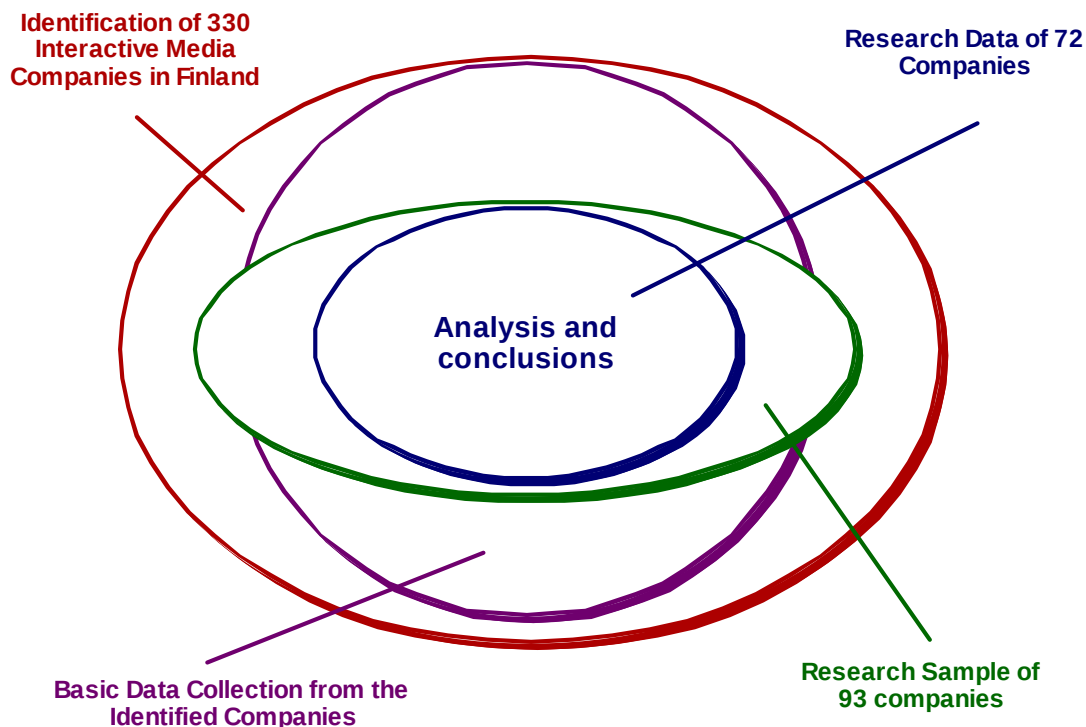
Survey was carried out during September 1998-January 1999. It had four stages. First, the main actors were identified from multiple sources, e.g. the internet domain register of Finland, extensive WWW-browsing, various electronic and printed catalogues as well as the existing database from the similar survey carried out in 1997 at the same research institute. As a result a preliminary database of 350 Finnish new media companies was formed. Second, to make the data more accurate the companies in the database were sent electronic mail and later inquired by telephone about their activities, turnover and personnel data (see

appendices). This data was received from 193 companies. It was further supplemented by information received from the Finnish Company Registry. As a result of this, it could be argued that there were approximately 330 companies operating in the Finnish new media industry in autumn 1998.

Third, to collect more detailed data of the companies, a research sample was formed. The objectives in the forming of this were to choose the companies to cover the whole of area of Finland. The sample consisted of 93 companies, which were spread around the country to the same extent than the actual number of in the group of 330 companies. The questionnaire was filled in the internet at HSEBA's WWW-server and included quantitative and open questions (see appendices). Total of 72 questionnaires were received (78% of the sample). The aerial representation was consistent with the original goals.

Fourth, the data was analysed with quantitative methods. It was entered into the database. Main variables were statistically handled. The most important variables were cross-tabled and the open questions were analysed carefully. The findings were then reported with tables and graphs. As a result of this, a clear picture of the situation in the Finnish new media industry was formed. The project published a separate report of this work and it was published in March 1999. Yet, several variables and point of views were not included in that report. The internationalisation aspects arising from the data were handled in more detail in this research.

Figure 27: The New Media Industry Survey



Twelve General Interviews

Selection of the companies

To understand the situation inside the companies more thoroughly and have a clearer view of the skills needed in the industry, a closer touch to the industry was needed. This was obtained by general interviews. The criteria to choose the companies was number of its personnel (minimum 10) and turnover (minimum FIM 3 million). There were approximately 20 companies in the databases that filled that requirements, out of which twelve companies were chosen to be interviewed. These case companies included one international new media chain, two advertising agency-originated, two media-company related, and seven independent companies. The interview sample is presented in more detail in Table 17.

Table 17: Generally Interview Companies

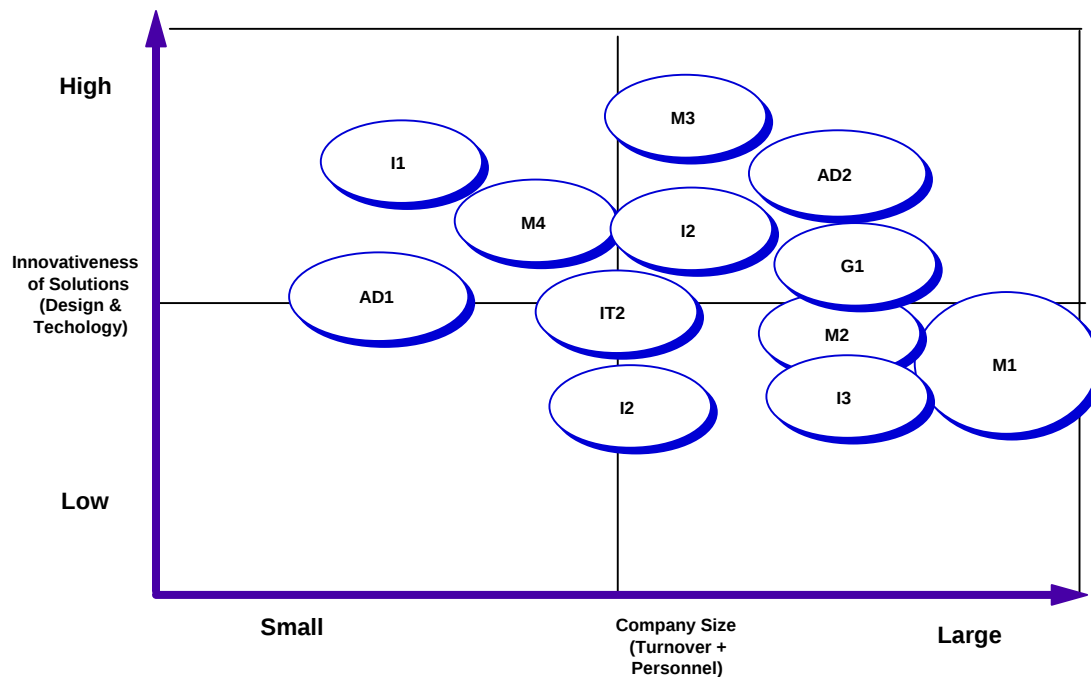
Group	Advertising agency related		Media company related			
Company (names changed due to confidentiality reasons)	AD1	AD2	M1	M2	M3	M4
Turnover 1998	15 M	5 M	30 M	8 M	15 M	10 M
# of personnel (at the time of the interview)	44	12	100	27	57	30
Origin	Ad Agency	Ad Agency	Media company formed by acquisitions	Formerly independent, now partly by media company	Formerly independent, now partly by media company	Formerly independent, now partly by media company
Special	Interactive Ad Agency pioneer	Creative design and IT systems	The market leader, venture capital, high growth targets	Innovative design, origin, pioneer in Finnish multimedia	Pioneer in Finnish multimedia	Pioneer in Finnish multimedia

Group	IT company related		Independent		Listed	International
Company (names changed due to confidentiality reasons)	IT1	IT2	I1	I2	L1	G1
Turnover 1998	8 M	8 M	6,5 M	3,5 M	20 M	11 M (in Finland)
# of personnel (at the time of the interview)	19	22 (in the network around 300)	18	25	50	20 (in Finland, globally 300)

Origin	Formerly independent, now by IT company	Formerly independent, now partly telecommunications company	Independent	Independent	Independent, now at publicly held at HSE	Formerly independent, now part of international chain
Special	Highly profitable, Systems and design	Design and EU support	Development from CD-ROMS to IT systems, Venture Capital	Basing operations on Linux OS	First to be stock quoted, IT systems	One of the world market leaders

The companies were also classified according to the perception of innovation and corporate size. Figure 28 presents this framework. As it can be seen, the most innovative companies were not largest in business operation size and vice versa. It is to be mentioned, that this classification is purely subjective due to the fact, that it is difficult to compare the levels of innovation between differently focused companies. Yet, the main point in the framework is that small companies are more flexible and most probably innovative, but larger companies are more growth seeking and have more resources to invest in product and process development.

Figure 28: Classification of General Interview Companies



The Interview Process

The interview with the company representatives were carried out in October-November 1999. These were structured according to a generic framework (see appendices). The interviews lasted around one and a half hours. They were carried out two interviewer, the

author of this research and a member from the Interactive Media Research Group. Interview guide was not followed literally but adjusted to the situation at each site. This approach gave the researcher freedom to make adjustments during data collection process. It allowed the researcher to probe emergent themes or to take advantage of special opportunities⁶³. In addition, the questions were not asked in the exact same order each time. This is because the interviewees were allowed to reflect upon issues that they thought were important.

The interviews were done in Finnish, the mother tongue of the interviewees. The discussion was recorded and the texts of from the interviews were written in full text. Furthermore, the text was sent to the companies to be confirmed and the unclear points were clarified with the company representative after the interview. Both interviewers made notes and the interviewee was asked to use drawings in explanations. These drawings were redrawn afterwards.

Data Analysis

The interview texts were analysed in depth with a analysis matrix presented in appendices. In filling in the issues in the framework the IMG-databases and WWW-site of the company was also used. Each company was formed as an individual case and additionally each item of the analysis matrix was combined with the other companies' similar items. This formed two reports the company level and the issue level reports of the cases. Finally, the research items were then discussed with the other members of the research group and general agreement was found about the situation in both the company and the item.

For the purpose of this research, the interview texts were once more analysed by the researcher. Each point related to networking or internationalisation was reflected to the earlier analysis. The text quotes were structured according to the research framework and a picture of the two issues was formed. This was then written into the actual discussion chapter. The choice of quotations was based on the criteria of relevancy to the context, explanatory power, and the ability of the quotation to illustrate the point.

Two In-Depth Case Analyses

Selection of the Case Companies

To form a holistic picture of growing industry's problems, two case studies were carried out. New media productions are mostly based on two variables, technology and design. In internationalisation process the motivations and experience of the personnel is also a important factor.

In the selection process there were several possibilities to choose from. The basic idea was to carry out a minimum of two case studies. The companies to be chosen should fulfil the several conditions and thus be information-rich for the analysis.

- Shown a clear interest for internationalisation
- Have a high level innovation potential either in technology or design, potential to focus on a niche market
- Be in the early phase of internationalisation having completed some trials for it

⁶³ Eisenhardt, 1989, p. 539

- Having relationships with at least one multinational customer
- Be still independent of outside investors and IT/media conglomerates

The databases were analysed carefully to find companies that would meet the criteria. There were several potentially interesting companies to be chosen from. The main criteria were set to be innovation capability of the company. In this both design and technology aspects were taken into consideration. As one interesting topic to be analysed was also the niche strategy. According to it, a Finnish company would have to find its expertise in a narrow field, rather than focusing on competing in general production capacity issues. This had its impact on the selection technology companies. The case company would have to be investing a future technology, though Internet related. Special interest of the research was also in companies in the early growth stages, they would have the potential of focusing to certain niches. Finally, two companies were finally chosen. Due to confidentiality reasons their names are not published here.

Case Building Process

The two cases were build upon multiple interviews and on active participation in some negotiations. Though actively participating, the researcher was all the time in observing position and not forming or influencing the processes.

The actual case analyses were formed on the basis of the material collected by several interviews with company representatives. The methods used in this included SWOT and risk analyses. Networking and internationalisation issues were considered to be the most important points and thus models of implemented international productions were formed. The analysis was then written.

The information received from the companies was very heterogeneous and did not follow the same pattern, though the researcher aimed to lead the discussion in that manner. Thus also, the case descriptions and analyses presented in chapter nine differ by their structure from each other. The researcher assumes that the different understanding of the interview and case study questions from the interviewees and the material that was analysed, originates to the different entrepreneur background of the two companies.

F.: Internationalisation situation in the interviewed companies

The interviewed companies were analysed with a very thorough matrix. Furthermore, the internationalisation patterns of the companies were analysed even in more detail. Table 18 below presents the internationalisation characteristics of each company as well as the attitude toward business networks.

Table 18: Internationalisation Patterns of the Twelve Interviewed Companies

	Global Actors	Active Growth seekers		Internationalisation Trialists	
Company	G1	M1	L1	IT2	I2
Internationalisation strategy	Focusing to serve its multinational and local clients at all the required locations	- Serving its main customers where needed - Forming of own subsidiaries at the most important markets - Nordic partnerships	- To serve customers in the preferred locations - By expanding through existing customer relationships	- Active partner search - Through customers and projects	- Through existing customer relationships - By forming international relationships - By making services as products - By software licensing
Operation modes	- Own subsidiaries in 14 countries - Partnerships in R&D & certain productions	- Through existing customers - Own subsidiaries - Partnership agreements - International subcontracting	- Own subsidiaries - Joint ventures - International subcontracting - Software licensing	- Pilot projects - Partnerships	- Partnerships - International subcontracting - Own subsidiary in the later stages
Markets	- Global - Finnish unit: Finnish customers + MNCs	EU region at the moment	- South America - EU Region - South-East Asia	EU region	- EU Region - USA
Resource shortage in internationalisation	Skills are obtained through the international network	- Skilled personnel - International customers	Skilled technology personnel	Business strategy skills	Financial resources limited

(previous table cont'd)	Global Actors	Active Growth seekers		Internationalisation Trialists	
Finance for operations	Listed company	- External financiers - Finance from the main investor (a media company) - Seeks for stock listing by 2001	Listed company	- Outside investors - Strategic partners - Governmental programs	- External investors - Own resources - Governmental programs - Active seek for new sources

Table 18 continues

	Stand-By Companies		Inward Internationalisation	
Company	M3	M2	AD1	AD2
Internationalisation strategy	- Serving its main customers where needed - The value-added for international operations is crucial - criticality toward international operations essential	- Through exporting products and concepts - Through the main owner's operations	Part of an international ad agency chain with operations in 12 countries-> knowledge is exported through this chain	- Part of international ad agency chain -> obtains information and customers through it - Serves local and MNC customers in Finland
Operation modes	- Through existing customers - Partnerships - International subcontracting	- Through the main owner's operations - Through existing customers - Direct product export, if possible	- Serves local customers - International contacts and knowledge transfer via existing units inside chain	- Serving Finnish companies - Partnership agreements in the future
Markets	EU region	EU region	Focuses on Finnish customers	Focuses on Finnish customers
Resource shortage in internationalisation	International customers	Not discussed	Skills are obtained through the international network	Not discussed
Finance for operations	Internal and external sources	Internal and external sources (a media company)	Internal finance	If needed, internal finance

Table 18 continues

	Locally Focused Companies		
Company	IT1	I2	M4
Internationalisation strategy	- No strategy, focusing on serving local customers “To wait, be aware and follow”	- No strategy, focusing on serving local customers “To wait, be aware and follow”	- Serves customers in Finland - Through exporting products and concepts
Operation modes	If starts to operate internationally, the preferred modes partnership or subcontracting	- If starts to operate internationally, the preferred modes partnership or subcontracting - Serving existing clients	- Growth through existing customers - Direct product export, if possible
Markets	The most influential is Sweden	EU Region	Not discussed
Resource shortage in internationalisation	Not discussed	Not discussed	Not discussed
Finance for operations	If needed, own resources or external finance	External finance	From internal sources (a large publisher)

G. Questionnaire

YRITYKSEN TOIMINTA-ALUE

1. Yrityksenne liikeidea lyhyesti: Mitä teette ja kenelle?

2. Kuinka kauan yrityksenne / yksikkönne on toiminut uusmediatoimialalla?

- a) alle vuoden
- b) 1-2 vuotta
- c) 3-5 vuotta
- d) yli 5 vuotta

3. Miten yrityksenne / yksikkönne aloitti toimintansa uusmediatoimialalla?

- a) täysin uutena yrityksenä
- b) olemassaolevan yrityksen uutena yksikkönä
- c) tytäryhtiönä
- d) vaihtamalla toimialaa
- e) useamman yrityksen yhdistäessä liiketoimintansa, mitkä yritykset?

4. Onko yrityksenne uusmediatoiminta voitollista?

- a) Kyllä
- b) Ei

HENKILÖSTÖ JA OSAAMINEN

5. Henkilöstönne määrä?

	A. Täyspäiväinen	B. Osa-aikainen
a) 1997	_____	_____
b) 1998	_____	_____
c) 1999 (arvio)	_____	_____

6. Henkilöstön työtehtävät:

Kuinka paljon yrityksessänne / yksikössänne toimii työntekijöitä seuraavissa uusmediatuotantoihin liittyvissä työtehtävissä. Merkitkää taulukkoon työntekijänne päätoimisten työtehtävien mukaisesti eli yksi henkilö voi olla vain yhdessä kohdassa.

- a) Asiakasyhteyksissä ja projektien johtotehtävissä, kuten Asiakassuhteiden luomisessa, ylläpidossa sekä asiakkaiden tarpeiden kartoitustehtävissä

Tuotantoprojektien ja -ryhmien johtamisessa _____

- b) Teknisissä tehtävissä, kuten Tietojärjestelmien suunnittelussa _____
Ohjelmointitehtävissä _____

- c) Luovissa tehtävissä, kuten Graafisessa suunnittelussa _____
Sisältö- ja tekstisuunnittelussa _____

- d) Muissa tehtävissä? _____
missä ?

7. Arvioikaa millaisiin työtehtäviin yrityksenne tarvitsee lisää työntekijöitä

seuraavan vuoden aikana ja kuinka paljon?

henkilöä

- a) Asiakasyhteyksiin _____
 b) Projektien johtotehtäviin _____
 c) Teknisiin tehtäviin _____
 d) Luoviin tehtäviin _____
 e) Muihin tehtäviin, millaisiin? _____

8. Henkilöstönne koulutustausta?

henkilöä

- a) akateeminen loppututkinto _____
 b) akateemiset opinnot vielä kesken _____
 c) ammattikorkeakoulututkinto / opinnot kesken _____
 d) opistotason tutkinto / opinnot kesken _____
 e) ammattillinen perus/erikoistutkinto _____
 f) peruskoulu/lukio _____
 g) muu koulutustausta _____

9. Henkilöstönne ammatillinen koulutustausta koulutusaloittain (lukumääräisesti)?

henkilöä

- a) Tekninen _____
 b) Graafinen / design _____
 c) Viestintä _____
 d) Kaupallinen _____
 e) Itseoppinut alalle _____
 f) Muu koulutus _____
 mikä _____

10. Mistä tai miten rekrytoitte tarvitsemanne ihmiset?

(nimetkää kolme tärkeintä rekrytointikanavaanne, 1=tärkein)

1 2 3

- a) lehti-ilmoitukset
 b) messut
 c) internet
 d) henkilökohtaiset suhteet
 e) muu

mikä _____

11. Minkälaisista osaajista yrityksessänne on pulaa lähitulevaisuudessa?**TUOTANNON ORGANISOINTI****12. Alihankinnan osuus kokonaistuotannostanne (%)**

%

1997 _____
 1998 (arvio) _____

13. Mitkä osiot tuotannostanne alihankitte?**14. Miten kuvailisitte yhteistyötänne muiden uusmediatoimialan yritysten**

kanssa?

- 1 kuvaa yrityksemme yhteistyösuhteita hyvin
 2 kuvaa yrityksemme yhteistyösuhteita jossain määrin
 3 ei kuvaa yrityksemme yhteistyösuhteita

	1	2	3
a) Yrityksellämme ei ole juuri lainkaan yhteistyötä muiden alan yritysten kanssa			
b) Yhteistyö on satunnaista/projektiluontoista			
c) Yhteistyö on alihankintaa			
d) Yhteistyö on partnerisuhteiden luomista, jossa jaetaan liiketoiminnan riskit			
e) Koko liiketoiminta-ajatus perustuu aktiiviseen, toistensa toimintaa täydentävien yritysten verkostoitumiseen			
f) Yrityksellämme on ulkomaisia yhteistyökumppaneita			

YRITYKSEN TOIMIPAIKKA

15. Millä paikkakunnalla on yrityksenne päätoimipaikka (toimipaikalla tarkoitetaan tässä yrityksen fyysistä toimipistettä)?

16. Onko yrityksellänne muita toimipaikkoja?

- a) Ei
 b) Kyllä
 Missä? _____

17. Mitkä tekijät ovat vaikuttaneet toimipaikkanne / -paikkojenne valintaan?

1. vaikutti toimipaikan/-paikkojen valintaamme paljon
 2. vaikutti valintaamme jonkin verran
 3. ei vaikuttanut valintaamme lainkaan

	1	2	3
a) Alueen kasvumahdollisuudet			
b) Osaavien työntekijöiden saatavuus			
c) Asiakkaiden läheinen sijainti			
d) Koulutustarjonta alueella			
e) Rahoitusmahdollisuudet			
f) Alueen viranomaisten toimet			
g) Joku muu tekijä			
mikä:			

18. Onko yrityksenne harkinnut toimipaikan vaihtamista tai uuden toimipaikan avaamista?

- a) Ei
 b) On
 Minne? _____

19. Onko yrityksenne toimipaikalla tai sen ympäristössä yrityksellenne riittävästi seuraavia resursseja (seuraavan 5 vuoden aikana)

1. Resursseja on runsaasti
 2. Resursseja on tarpeeksi
 3. Resursseja on niukasti
 4. Resursseja ei ole riittävästi

	1	2	3	4
a) Kasvumahdollisuuksia				

b) Osaavia työntekijöitä				
c) Asiakkaita				
d) Koulutusta				
e) Rahoitusta				

ASIAKKAAT

20. Mitkä yritykset tai organisaatiot ovat olleet asiakkaitanne tänä vuonna?

21. Oletteko harkinneet erikoistumista tiettyyn toimialaan / tietentyypisiin asiakkaisiin, mihin?

22. Mikä on...

%

- a) suurimman asiakkaanne laskutusosuus
liikevaihdostanne vuonna 1998?
- b) kolmen suurimman asiakkaanne laskutusosuus
liikevaihdostanne vuonna 1998?

23. Arvioikaa kolme tärkeintä kriteeriä, joilla asiakas mielestänne valitsee yrityksenne: (1 = tärkein)

	1	2	3
a) uusmediayrityksen maantieteellinen sijainti			
b) henkilökohtaiset suhteet			
c) olemassaoleva yhteistyösuhde			
d) mainostoimistoyhteys			
e) yrityksen imago			
f) sopiva hinnoittelu			
g) kyky toimittaa kokonaisvaltainen ratkaisu			
h) asiakkaan liiketoiminnan ymmärtäminen			
i) työn laatu			
j) referenssityöt			
k) uusmediayrityksen kansainvälisyys			
l) muu,			
mikä?			

24. Mitkä asiat aiheuttavat ongelmia ollessanne yhteistyössä asiakasyritysten kanssa?

1. Aiheuttaa usein ongelmia
2. Aiheuttaa joskus ongelmia
3. Aiheuttaa harvoin ongelmia
4. Ei aiheuta ongelmia

	1	2	3	4
a) Asiakkaalla on riittämätön tekninen tietämys				
b) Asiakas ei tiedä, mitä haluaa				
c) Asiakasprojekteista puuttuvat selkeät tavoitteet				
d) Asiakas vaatii liikaa panostukseensa nähden				
e) Uusmediaa tehdään vain 'hopen' vuoksi				
f) Asiakkaalla ei ole tarpeeksi aikaa paneutua sisällön suunnitteluun				
g) Vastuunjako on epäselvä				
h) Sitoutuneisuus on puutteellista				

SUOMALAISEN UUSMEDIATOIMIALAN OMINAISUUDET

25. Arvioi suomalaista uusmediatoimialaa seuraavien väittämien mukaisesti.

Merkitkää asteikkoon 1-7 seuraavien vastakohtaisten väittämien paikkansapitävyys.

	1	2	3	4	5	6	7	
a) Uusmediayritysten tekninen osaaminen on kansainvälisesti huipputasoa								Uusmediayritysten tekninen osaaminen on kansainvälisesti alhaisella tasolla
b) Uusmediayritysten sisällöllinen osaaminen on kansainvälisesti huipputasoa								Uusmediayritysten sisällöllinen osaaminen on kansainvälisesti alhaisella tasolla
c) Uusmediayritysten liiketoiminta on ammattimaista								Uusmediayritysten liiketoiminta on epäammattimaista
d) Uusmediayritykset ovat keskittyneet ydinosaamiseensa								Uusmediayritykset rönsyilevät moneen toimintaan
e) Uusmediayritysten tuotannot ovat korkealaatuisia								Uusmediayritysten tuotannot ovat heikkolaatuisia
f) Uusmediayrityksillä on toimivat yhteistyöverkostot								Yhteistyöverkostot puuttuvat yritysten väliltä
g) Uusmediapalveluiden kysyntä jatkaa kasvuaan								Uusmediapalveluiden kysyntä tasaantuu
h) Yrityksemme palkkaa paljon uutta henkilöstöä uusmediatoimintoihin								Pyrimme toimimaan jatkossa nykyisellä henkilöstöllämme.
j) Markkinointi- ja myyntiosaaminen korkeatasoista								Markkinointi- ja myyntiosaaminen puutteellista
k) Ulkomaiset yritykset eivät aiheuta lisäpainetta toimialalla								Toimilan sisäinen kilpailu kiristyy ulkomaisten yritysten taholta

TOIMIALAN KEHITYSNÄKYMÄT**26. Miten seuraavat väittämät kuvaavat mielestänne uusmediatoimialaa Suomessa?**

1. Täysin samaa mieltä
2. Jokseenkin samaa mieltä
3. Jokseenkin eri mieltä
4. Täysin eri mieltä

	1	2	3	4
a) Alan kasvu jatkuu ennätysmäisen nopeana				
b) Alan yritysten kannattavuus paranee huomattavasti				
c) Elektroninen kaupankäynti lisääntyy voimakkaasti				
d) Toimiva verkkoraha käyttö yleistyy				
e) Alan yritysten lukumäärän kasvu jatkuu				
f) Yritysten innovatiivisuus vähenee yritysostojen myötä				

g) Uusmedian huippuosaajat siirtyvät ulkomaille				
h) Perinteiset mainostoimistot valtaavat uusmediatoimialan				
i) Alan yritykset keskittyvät muutamaksi suureksi ryhmäksi				
j) Suomalaiset uusmediayritykset kansainvälistyvät				
k) Kansainvälistyminen tapahtuu pääasiassa asiakkaiden liiketoimintojen mukana				
l) Suomesta ei löydy riittävästi korkeatasoista teknistä osaamista				
m) Suomesta ei löydy riittävästi korkeatasoista uusmediaosaamista				
n) Internet-teknologia integroituu yritysten liiketoimintaprosesseihin				

27. Mikä on näkemyksenne siitä, miten uusmediatoimiala tulee muuttumaan parin seuraavan vuoden aikana? (kilpailutilanne, kansainvälistyminen, kysynnän kasvu, työllistämisaikutukset jne.)

28. Mitä kehittämishankkeita toivoisitte julkiselta vallalta (tuotantotuet, koulutusjärjestelmä, tuotekehitys jne.)?

H. General Interview Scheme

1 Uusmedian markkinakehitys

- Miten luonnehtisitte liiketoimintaanne? Mitä teette ja kenelle?
- Miten uusmediamarkkinat kehittyvät lähiaikoina?
- Miten tämä voi muuttaa liiketoimintaanne?

2 Toiminnan organisointi ja osaaminen

- Kuvaillaa perustellisesti myynnin ja tuotannon organisointianne
- Mitkä ovat tuotannon kriittiset vaiheet ja millaista osaamista niissä tarvitaan?
- Mitkä osaamisalueet koette tärkeimmiksi tämänhetkisessä liiketoiminnassanne?
- Mitkä ovat olleet suurimmat ongelma-alueet toteutetuissa projekteissa ja miten ne on ratkaistu?

3 Rekrytointi ja koulutustarpeet

- Mitkä ovat tärkeimmät henkilöstön rekrytointikriteerit? Mistä rekrytoitte?
- Miten nykyinen koulutustarjonta vastaa omaan tarvettanne?
- Millaisia ohjeita haluaisitte antaa koulutusviranomaisille/ yksityisen sektorin koulutuslaitoksille?

I. General Interview Analysis Framework

Yleistiedot

Liikeidea
 a) yrityksen mukaan
 b) omin sanoin
 Liikevaihto
 Henkilöstön määrä
 Asiakkaat
 Omistusrakenne
 Tuotteet

Markkinakehitys ja tulevaisuus

Esiintuodut makrotrendit ja niiden vaikutus toimialaan
 Muuta mielenkiintoista

Kansainvälistyminen

Syyt
 Strategiat
 Tavoitteet
 Markkinat
 Ajoitus
 Miten toteutetaan käytännössä?

Toiminnan organisointi

Prosessikuvio selityksineen
 Sisäinen organisointi selityksineen
 Syiden pohdintaa, miksi näin organisoitu?

Toimenkuvat

	Työnkuva X
Yleiskuvaus	
Rekrytointikriteerit	
Päätehtävät (sido prosessiin)	
Teknis-tuotannolliset taidot	
Sosiaaliset taidot	
Henkilökohtaiset ominaisuudet	
Yleistaidot	
Poikkeustilanteessa tarvittava osaaminen	
Lähitulevaisuuden näkymät	
Uranäkymät	
Uraeteneminen yrityksen sisällä	
Montako tällaista ko. yrityksessä	
Henkilöstövajaustako?	

Osaamisalueet

	Henkilösidonnaiset...	Yrityssidonnaiset...
Yleiskuvaus		
Perusta synnylle		
Lisäarvon luontikyky		
Kriittisyyden arviointi		
Puutostilat		
Muutospaineet		

Pohdittuna yrityskohtaisesti, ei toimialatasolla

Koulutustarpeet

Koottuna terveiset ja ehdotukset koulutusviranomaisille

Rekrytointiprosessit

Koottuna havainnot rekrytoinnin sujumisesta

APPENDIX X: Interview Scheme I

Kesto: noin 1 - 1,5 h

kysymykset ovat lähinnä strukturoimassa haastattelua, eivät absoluuttisia keskusteluaiheita.

Alkuun: tarkistuta omat tietosi yrityksestä tehdyn analyysin perusteella

Casen rakentaminen

Taustaa:

- ♦ Miten asiakassuhde sai alkunsa? (kuka, milloin, miten)
- ♦ Kenen vastuulla oli asiakassuhteen kehittäminen?
- ♦ Kuinka merkittävä asiakassuhde oli yrityksellenne suhteen alkuvaiheessa, entä nyt?

Tuotanto ja sen eteneminen

- ♦ Miten tuotantovaiheet etenivät kotimaassa ja ulkomailla? (kronologisessa järjestyksessä, tuotantosukupolvet, piirrä aikajanalle)
- ♦ Kuinka paljon henkilöstöä sitoutui työhän eri vaiheissa?
- ♦ Miten asiakassuhdetta hallittiin tuotannon aikana ja sen jälkeen?
- ♦ Oliko tuotannossa mukana muita toteuttajia kuin yrityksenne? Jos oli, niin millaisia ja miten yhteistyösuhteet ja työnjako toimivat

Kansainvälistyminen:

- ♦ Miten päädyitte tekemään asiakkaallenne kansainvälistä tuotantoa?
- ♦ Liittyikö päätöksenne toteuttaa tuotanto omaan suunnitelmaan kansainvälistymisestä, miten?
- ♦ Miten toteutitte kansainvälisen tuotannon? Käyttekö paikallista työvoimaa? Jos näin, niin miten etsitte tämän henkilöstön? Oliko teillä kv.partneita, ja jos oli, niin millainen heidän roolinsa oli tuotannossa?
- ♦ Miten mittasitte asiakkaanne tyytyväisyyttä työhönne?
- ♦ Kuinka valvoitte kv.tuotannon laatua ja omien standardienne mukaisuutta?

Jatkosuunnitelmat

- ♦ Miten aiotte edetä asiakkaanne palvelujen kehittämisessä
- ♦ Miten aiotte hyödyntää kansainvälistymistä kokemustanne omassa kv.prosessinne?
- ♦ Onko tuotantomalli, jota käytitte, hyödynnettävissä toisaalla? Miten?
- ♦ Mitä olette oppineet tämän asiakkuuden kautta ja mitä tekisitte nyt toisin?

Loppuun: vamista aika toiselle haastattelulle ja selvitä miten se liittyy tähän teemaan - johtojatetus: siinä käsitellään koko yrityksen asioita

J. Interview Scheme II

Kesto: noin 1 - 1,5 h

Asiakas-case ja sen tarkentaminen

- tarkenna haastattelussa epäselväksi jääneitä asioita kirjoitun haastattelumuiston perusteella

Kansainvälistymissuunnitelmat

Suunnitelmallisuus yleisesti

- ◆ Miten yrityksenne suunnittelee tulevaisuuttaan?
- ◆ Onko suunnitelmat dokumentoitu ja jos on niin miten?
- ◆ Kuinka suunnitelmien toteutumista seurataan?
- ◆ Miten kansainvälistymistänne suunnitellaan?

Tulevaisuus

- ◆ Kuinka merkittävässä roolissa kansainvälistyminen on yrityksellenne?
- ◆ Millä markkinoilla yrityksenne on kolmen vuoden päästä?
- ◆ Miten aiotte toteuttaa nämä operatiot?
- ◆ Millaisia epävarmuustekijöitä näette tässä muutoksessa?
- ◆ Mitkä ovat suurimmat uhat kansainvälistymisellenne?
- ◆ Miten rahoitatte kansainväliset operaationne?
- ◆ Millaista tukea toivoisitte valtionhallinnolta kansainvälistymisellenne?

Kansainvälistymiseen liittyvä osaaminen

- ◆ Millaista osaamista yrityksessänne on tällä hetkellä?
- ◆ Millaisesta osaamisesta on pulaa liittyen kansainvälistymiseenne?
- ◆ Miten aiotte lisätä tätä osaamista yrityksessänne?
- ◆ Millaisilla toimilla julkishallinto voisi tukea pyrkimyksiänne?

K.. Previous Research

The new media pheromone has been of substantial research interest during the last few years. The following list presents some of the most interesting studies and reports for the objectives of this research.

- Pelkonen (1999): Resource-based internationalisation of professional business services – a case study of the Finnish new media industry
This Master's thesis was the basis for this report. In addition to the material presented in this report, it has some additional theoretical discussion related to the new media industry in Finland.
- Kuokkanen, Toivola & Väänänen (1999): Uusmediatoimiala Suomessa 1999 (New Media in Finland 1999)
This study analyses development of the Finnish new media industry in detail. It is continuation to the co-operation between the HSEBA's Interactive Media Group (IMG) and University of Design and Arts MediaStudio -projects. This work started with a the first Finnish market study published about the industry in 1997. The study has a strong areal focus and reflects also the opinions of the new media clients are reflected in the report.
- Helomaa & Väänänen (1999): Uusmediatoimian kriittiset osaamisalueet 1999 (Critical knowledge areas of the Finnish New Media Industry 1999)
This IMG-report identifies knowledge needs for a company operating in the new media industry. It analyses the critical knowledge areas and points out some interesting characteristics of the industry.
- Pelkonen (1999): Uusmediatoimialan toimenkuvat ja osaamistarpeet 1999 (Job Profiles and Educational Needs in the Finnish New Media Industry 1999)
This IMG-report published by the Finnish Ministry of Labour and European Social Fund analyses the educational needs in the Finnish new media industry. It identifies the production process of the companies and forms the critical job profiles that exist in the industry. In addition, the study collects the opinions of the companies of the present educational system in Finland.
- Jokinen (Ed.) (1999): Suomalainen uusmedia: Eväät kasvuun ja kansainvälistymiseen (New Media in Finland: Keys to growth and internationalisation)
This article collection will reflect some opinions of the internationalisation in the Finnish new media sector. It comes up with several interesting suggestions about the industry's future and about the importance of business networks. The report is not a actual research publication, but rather a collection of different point of views.
- Kasanko & Tillikka (1999): Osaamisintensiivisen palvelusektorin kehitys Suomessa (The development of the Knowledge Intensive Service Sector in Finland)
This very comprehensive study analyses the Finnish service industry according to its knowledge intensity. It identifies six core and five supplementary groups of services that together form the knowledge intensive service sector. Estimates of economical impact are also presented.
- Ruokonen & Väänänen (1998): Uusmediayritysten verkostoituminen ja tuotantoprosessit (Networking and Production Processes of the New Media Companies)

This study introduces concepts the value networks in the new media industry. It analyses three production cases in the industry and form very model of different roles that the new media company has to operate in during its production processes

- Kailaranta (1998): Kansainvälistyvän pk-yrityksen vahvuudet ja kehittämistarpeet (Strengths and Development needs of an internationalising SME)

This study analyses the internationalisation patterns of small and medium-sized Finnish companies, their obstacles, strategies and resources for internationalisation.

- Eräheimo, Granfelt & Laureen (1996): Pk-yrityksen kasvun lähteet ja esteet - casekohteina nopean kasvun yritykset (Sources and obstacles for SME Growth - cases from high growth enterprises)

This research presents a cyclical model for developing high-growth companies and its resources. The model explains the dynamics of successful growth enterprises.

- Jonninen & Granfelt (1995): Yrittäjien yhteistyöasenteet ja verkostoituminen (Co-operative attitudes and Networking)

In this study the co-operation and networking is analysed as a strategic function for an SME. It is a very comprehensive approach to the networking between Finnish companies.

- Pietikäinen & Tynnilä (1994): Obstacles and Strategies of the Internationalisation of Finnish Service Companies

This comprehensive study analyses the internationalisation patterns of six Finnish service sectors. These are analysed by their level of internationalisation, operations in use and by the obstacles encountered in the process.

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General Interviews

Date of the interview	Position of the interviewee	Place of the interview	Time of the interview
October 12, 1998	Managing Director	Helsinki	1,5 h
September 30, 1998	Managing Director	Helsinki	1,5 h
October 6, 1998	Managing Director	Helsinki	1,5 h
September 29 , 1998	Consultant	Helsinki	1,5 h
October 6, 1998	Marketing Manager	Helsinki	1,5 h
October 7, 1998	Managing Director	Espoo	1,5 h
October 9, 1998	Managing Director	Helsinki	2 h
October 6, 1998	Managing Director	Helsinki	1,5 h
October 7, 1998	Project Manager	Helsinki	1,5 h
September 29, 1998	Managing Director	Helsinki	1,5 h
October 14, 1998	Managing Director	Tampere	1,5 h
October 9, 1998	Managing Director	Helsinki	1,5 h

Case Study Interviews

Date of the interview	Position of the interviewee(s)	Place of the interview	Purpose	Time of the interview/ negotiation
Technet Oy				
March 30, 1999	- Managing Director - Marketing Manager - Technical Manager	Helsinki	Customer Strategy Interview	3 h
April 22, 1999	- Managing Director - Marketing Manager	Helsinki	Internationalisation Strategy Interview	2 h
July 29, 1999	- Managing Director - Marketing Manager	Helsinki	Analysis of the earlier interviews	2 h
August 19, 1999	- Managing Director - Marketing Manager - Foreign Partner	Helsinki	- Partner negotiation - Customer feedback session	2 h
Hypermedia Oy X				
August 4, 1999	Managing Director	Helsinki	Internationalisation strategies	2 h
August 6-8, 1999	- Managing Director - Foreign partners (2) - Client Y representative	Brussels (BEL) Brugge (BEL)	- Internationalisation strategies - Partner search	2 days (participatory observing)
August 17, 1999	Managing Director	Helsinki	Personnel strategies	2 h
August 26, 1999	Client Y representative	Helsinki	- Opinions about HMX Oy - Case creation	1, 5 h
September 20, 1999	Managing Director	Helsinki	Client strategies	2 h
October 8, 1999	Board members x 2	Helsinki	Financial strategies	1, 5 h
October 13, 1999	- Managing Director - Board member - Potential financial partner	Helsinki	Financial strategies	2 h
October 25-26, 1999	- Managing Director - Client Y representative - Potential foreign partner - Potential financial partner	Geneve (CH) Moulouse (FRA) München (GER)	- Internationalisation strategies - Financial strategies	2 days (participatory observing)